COUNCIL OF GRADUATE SCHOOLS

August 7, 2015

Wendy Macias
U.S. Department of Education
1990 K Street, NW
Room 8017
Washington, D.C. 20006

Re: Comments on Notice of Proposed Rulemaking (NPRM) Regarding REPAYE
Docket ID# ED-2014-OPE-0161

Dear Ms. Macias:

On behalf of the Council of Graduate Schools (CGS), I appreciate this opportunity to provide comments and feedback to the NPRM dated July 9, 2015 (Docket ID# ED-2014-OPE-0161-0002). CGS membership includes over 500 universities in the United States that annually award more than 92 percent of all U.S. doctorates and over 78 percent of all U.S. master's degrees.

The Revised Pay as You Earn (REPAYE) plan announced in this NPRM modifies the Pay as You Earn (PAYE) plan by making the plan available to all borrowers regardless of the age of their loans. This change could impact graduate degree holders who, are paying off loans they received prior to 2007. It is CGS' belief however, that the proposed new regulation, particularly Section 685.209(c)(5)(ii)(B), will further increase the cost of borrowing for graduate students.

The proposal perpetuates the trend of decreasing public support for graduate education over the past few years, including the elimination of in-school interest subsidies for direct Stafford loans for graduate students. This is troubling when graduate education and graduate students are crucial to grow our domestic scientific talent, build an educated and skilled workforce, and remain competitive in a global economy.

Specifically, CGS is concerned that the proposed Section 685.209(c)(5)(ii)(B):

- Makes the repayment scheme a degree-based, not an income-based, program;
- Adds to the cost of pursuing a master's or doctoral degree; and
- Focuses on program costs, not the cost to graduate students.

Finally, it should be noted that this consensus was reached without having any formal representation from the graduate education community on the rulemaking panel. For these reasons, CGS urges the Department of Education to reconsider the proposed regulation so that a more equitable treatment with respect to income-driven repayment (IDR) options is available to graduate student borrowers.

SPECIFIC CONCERNS

The repayment scheme is now a degree-based, not an income-based, program. Section 685.209(c)(5)(ii)(B) establishes an arbitrary distinction between undergraduate and graduate students. It places any person who has borrowed toward their graduate education into a 25-year repayment period without consideration of the total amount borrowed or ability to repay. This provision makes the proposed repayment scheme a degree-based repayment plan. IDR plans should be based on one's discretionary income and amount borrowed.

The proposal adds to the cost of pursuing a master's or doctoral degree. By arbitrarily placing graduate students into a 25-year repayment period for all their loans, including those borrowed for their undergraduate education, the proposed Section 685.209(c)(5)(ii)(B) will increase the cost of borrowing for graduate students even more than it is currently. Changes to federal student loans have already added to the cost of pursuing a master's or doctoral degree. Under this proposal, a loan of $10,000 will cost a graduate student $19,716. For the same $10,000, the cost will be $15,392 for an undergraduate, a difference of more than $4,000.

The final scheme is based on program costs, not the cost to graduate students. The narrative of the NPRM includes several proposals that were considered before consensus was reached. The consensus proposal, Section 685.209(c)(5)(ii)(B), was offered subsequent to the Department expressing concern about cost. A few of the negotiators expressed concern about the proposal because it "may discourage some students from pursuing graduate degrees." For students who choose to pursue graduate degrees, this proposal creates a "cliff effect" not based on the amount borrowed, but on the education pursued.

The fact is that this scheme only adds to the amount that graduate students must repay in order to qualify for loan forgiveness (as described above), and does little to reduce the amount graduate students appear to be borrowing. Graduate degree holders pay back their loans, as demonstrated by the low default rate for GradPLUS loans. Historically, both CBO and OMB cost estimates show this as savings to the Federal government, which decreases the program costs overall.

ALTERNATIVE APPROACHES

As a debt management tool, the PAYE or other IDR options do not reduce loan principal, instead they only reduce monthly repayment amounts. It is unfortunate that under most scenarios, total repayment amounts for borrowers who elect the current PAYE repayment option are greater than that of those who opt to the 10-year standard repayment plan.

An IDR option should first and foremost take into account the total amount borrowed and the borrower's ability to pay. Without these two factors, the plan is not income-based. The variables to consider in an income-based plan are the amount of income sheltered and the percentage of discretionary income used to determine the payment, which leads to the following suggested alternative:

Set criteria for determining monthly payment amounts that take into consideration the payees' income-levels. This could be accomplished either by -- protecting a larger portion of income against which the payment is determined for payees with lower wages, or by establishing a progressive loan payment-to-income for payees with higher incomes.

This alternative approach incorporates the key factors that should be used instead of using the degree objectives for which the student loans were taken. The approach proposed in the NPRM is not an income-based repayment plan, and is not therefore meeting the intent of the law.

Sincerely,

Suzanne T. Ortega

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President