



June 7, 2012

MEMORANDUM FOR THE SECRETARY OF EDUCATION
THE SECRETARY OF THE TREASURY

SUBJECT: Improving Repayment Options for Federal Student
Loan Borrowers

More individuals than ever before are using student loans to finance college. Nearly two-thirds of college graduates borrow to pay for college, with an average debt upon graduation of about \$26,300. While a college education remains an excellent investment, this debt can be overly burdensome, especially for recent graduates during the first few years of their careers.

The Income-Based Repayment (IBR) plan for Federal student loans currently allows former students to cap their student loan payments at 15 percent of their current discretionary income. This plan can be an effective tool for helping individuals to manage their debt, especially during challenging economic times.

Over the past several years, my Administration has worked to improve repayment options available to borrowers, including through passage of an enhanced Income-Based Repayment plan, which will cap a Federal student loan borrower's monthly payments at 10 percent of his or her discretionary income starting in 2014. And we are pursuing administrative action that may extend these lower payments to some students as soon as the end of this calendar year.

However, too few borrowers are aware of the options available to them to help manage their student loan debt, including reducing their monthly payment through IBR. Additionally, too many borrowers have had difficulties navigating and completing the IBR application process once they have started it.

For many borrowers, the most significant challenge in completing the IBR application has been the income-verification process, which, until recently, required borrowers to provide a signed copy of their income tax return. Although the Department of

Education has recently removed some of the hurdles to completing the process, too many borrowers are still struggling to access this important repayment option due to difficulty in applying.

Therefore, by the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby direct the following:

Section 1. Streamlined Application Process for Income-Based Repayment Plans. By September 30, 2012, the Secretary of Education, in coordination with the Commissioner of Internal Revenue, shall create a streamlined online application process for IBR that allows student loan borrowers with federally held loans to import their Internal Revenue Service income data directly into the IBR application. This process will allow income information to be seamlessly transmitted so that borrowers can complete the application at one sitting. Federal direct student loan borrowers shall no longer be required to contact their loan servicer as the first step to apply.

Sec. 2. Integrated Online and Mobile Resources for Loan Repayment Options and Debt Management. By July 15, 2012, the Secretary of Education shall:

(a) create integrated online and mobile resources for students and former students to use in learning about Federal student aid, including an explanation of (1) the current IBR plan, which allows student loan borrowers to cap their monthly loan payments at 15 percent of their discretionary income and be eligible to have their remaining loan balances forgiven after 25 years of responsible payments; and (2) the proposed Pay As You Earn plan, which will allow many students to cap their monthly loan repayments at 10 percent of their discretionary income and be eligible for loan forgiveness after 20 years of responsible repayment; and

(b) develop and make available to borrowers an online tool to help students make better financial decisions, including understanding their loan debt and its impact on their everyday lives. This tool should incorporate key elements of best practices in financial literacy and link to students' actual Federal loan data to help them understand their individual circumstances and options for repayment.

Sec. 3. Improved Notification of the Income-Based Repayment Plan. The Secretary of Education shall instruct Federal direct student loan servicers to make borrowers aware of the option to participate in IBR before a student leaves school and upon entering repayment. Within 1 year of the date of this memorandum, the Department of Education shall make available, for institutions of higher education, a model exit counseling module that will enable students to understand their repayment options before leaving school and to choose a repayment plan for their student loans that best meets their needs.

Sec. 4. General Provisions. (a) Nothing in this memorandum shall be construed to impair or otherwise affect:

- (i) the authority granted by law to an agency, or the head thereof; or
- (ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This memorandum shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

The Secretary of Education is hereby authorized and directed to publish this memorandum in the *Federal Register*.

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