



June 9, 2014

MEMORANDUM FOR THE SECRETARY OF THE TREASURY  
THE SECRETARY OF EDUCATION

SUBJECT: Helping Struggling Federal Student Loan Borrowers  
Manage Their Debt

A college education is the single most important investment that Americans can make in their futures. College remains a good investment, resulting in higher earnings and a lower risk of unemployment. Unfortunately, for many low- and middle-income families, college is slipping out of reach. Over the past three decades, the average tuition at a public four-year college has more than tripled, while a typical family's income has increased only modestly. More students than ever are relying on loans to pay for college. Today, 71 percent of those earning a bachelor's degree graduate with debt, which averages \$29,400. While most students are able to repay their loans, many feel burdened by debt, especially as they seek to start a family, buy a home, launch a business, or save for retirement.

Over the past several years, my Administration has worked to ensure that college remains affordable and student debt is manageable, including through raising the maximum Pell Grant award by nearly \$1,000, creating the American Opportunity Tax Credit, and expanding access to student loan repayment plans, where monthly obligations are calibrated to a borrower's income and debt. These income-driven repayment plans, like my Pay As You Earn plan, which caps a Federal student loan borrower's payments at 10 percent of income, can be an effective tool to help individuals manage their debt, and pursue their careers while avoiding consequences of defaulting on a Federal student loan, such as a damaged credit rating, a tax refund offset, or garnished wages.

While my Administration has made significant strides in expanding repayment options available to borrowers and building awareness of income-driven repayment plans, more needs to be

done. Currently, not all student borrowers of Federal Direct Loans can cap their monthly loan payments at 10 percent of income, and too many struggling borrowers are still unaware of the options available to them to help responsibly manage their debt.

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. Expanding the President's Pay As You Earn Plan to More Federal Direct Loan Borrowers. Within 1 year after the date of this memorandum, the Secretary of Education shall propose regulations that will allow additional students who borrowed Federal Direct Loans to cap their Federal student loan payments at 10 percent of their income. The Secretary shall seek to target this option to those borrowers who would otherwise struggle to repay their loans. The Secretary shall issue final regulations in a timely fashion after considering all public comments, as appropriate, with the goal of making the repayment option available to borrowers by December 31, 2015.

Sec. 2. Improving Communication Strategies to Help Vulnerable Borrowers. By December 31, 2014, the Secretary of Education shall develop, evaluate, and implement new targeted strategies to reach borrowers who may be struggling to repay their Federal student loans to ensure that they have the information they need to select the best repayment option and avoid future default. In addition to focusing on borrowers who have fallen behind on their loan payments, the Secretary's effort shall focus on borrowers who have left college without completing their education, borrowers who have missed their first loan payment, and borrowers (especially those with low balances) who have defaulted on their loans to help them rehabilitate their loans with income-based monthly payments. The Secretary of Education shall incorporate data analytics into the communications efforts and evaluate these new strategies to identify areas for improvement and build on successful practices.

Sec. 3. Encouraging Support and Awareness of Repayment Options for Borrowers During Tax Filing Season. By September 30, 2014, the Secretary of the Treasury and the Secretary of Education shall invite private-sector entities to enter into partnerships to better educate borrowers about

income-based repayment plans during the tax filing season in 2015. Building off of prior work, the Secretaries shall further develop effective ways to inform borrowers about their repayment options during the tax filing season in 2015, as well as through personalized financial management tools.

Sec. 4. Promoting Stronger Collaboration to Ensure That Students and Their Families Have the Information They Need to Make Informed Borrowing Decisions. By September 30, 2014, the Secretary of Education, in consultation with the Secretary of the Treasury, shall develop a pilot project to test the effectiveness of loan counseling resources, including the Department of Education's Financial Awareness Counseling Tool. The Secretary of Education shall convene higher education experts and student-debt researchers to identify ways to evaluate and strengthen loan counseling for Federal student loan borrowers. Additionally, the Secretaries shall collaborate with organizations representing students, teachers, nurses, social workers, entrepreneurs, and business owners, among others, to help borrowers represented by these organizations learn more about the repayment options that are available to them in financing their investment in higher education and managing their debt, and to provide more comparative, customized resources to those borrowers when possible.

Sec. 5. 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.

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

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