NEW AMERICA

May 8, 2025

The Honorable James Bergeron
Under Secretary
U.S. Department of Education

Re: Docket ID ED-2025-OPE-0016

Dear Under Secretary Bergeron,

Thank you for the opportunity to provide comments on the U.S. Department of Education's intent to establish a new negotiated rulemaking committee (ID # ED-2025-OPE-0016).

New America's higher education program believes that our higher education system must be accessible, affordable, equitable, and accountable for helping students lead fulfilling and economically secure lives. We are researchers, writers, former Department of Education staff, and advocates from diverse backgrounds who engage in thoughtful analysis, shedding light on the thorniest issues in higher education and developing student-centered federal policy recommendations. Our work makes us well-positioned to provide these comments.

Our comments below focus on ensuring borrowers have easy access to affordable repayment plans and protection against default and maintaining institutional integrity through the Gainful Employment and Financial Value Transparency regulations.

We look forward to continuing to engage the Department on ways to address college costs, streamline the federal student financial assistance programs, and maintain and improve program integrity and institutional quality to ensure that colleges and universities and the federal student loan system serve students and borrowers well. Should you wish to discuss any of our comments, our contact information is below.

All the best,

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Income-Driven Repayment Plans

Almost 43 million people currently hold a federal student loan. Among those with federally managed loans in repayment, more than 13 million are enrolled in an income-driven (IDR) plan. Income-driven repayment plans, including Income-Contingent Repayment (ICR) and Pay As You Earn (PAYE), provide an affordable alternative to standard repayment options, and enrolled borrowers depend on the existing suite of IDR plans to keep their loans in good standing.

The availability of IDR plans is a necessary first step to helping borrowers repay their loans, but it is not sufficient. As the Department has noted, a significant number of borrowers are behind on their payments as they reenter repayment after the pandemic-related pauses and on ramp; more than 5 million borrowers are already in default, and that number is expected to nearly double in the coming months.

As the Department begins negotiated rulemaking and looks to help borrowers back into repayment, it should seek additional ways to strengthen IDR plans to help borrowers avoid default and pursue opportunities to ensure those who are in default can return their loans to good standing. IDR plans should be both accessible to those who need them most and simple to administer for the Department and its contractors.

Those who owe and make the least are most likely to default and remain trapped there while the government collects relatively little. These same borrowers are also the least likely to know about tools to help them stay on track in repayment, such as income-driven repayment plans. Accessing these plans is an important default prevention tool, especially because borrowers can opt into data sharing, allowing the IRS to share limited tax information with the Department of Education to both streamline getting into a plan and automate annual recertification.

In addition to borrowers being able to opt into data sharing to enroll in and recertify for IDR plans, the Department should allow significantly delinquent borrowers (who have opted into data sharing) to be automatically enrolled in IDR plans. Automatic enrollment of certain delinquent borrowers into IDR plans would simplify and streamline the system for borrowers, servicers, and the Department; promote effective use of government resources; and prevent unnecessary defaults. It has bipartisan support via the Streamlining Accountability and Value in Education Act, introduced by Senator Cornyn in the 118th Congress, and regulations from the previous administration. We also recommend automatically enrolling borrowers exiting default into an IDR plan—a proven tool to help them avoid redefaulting on their loans—regardless of how they exit default.

To facilitate these processes, the Department should ensure that borrowers also have the ability to provide consent for data sharing where it does not already do so on applications for a variety of programs offered by the Department, through the borrower's online accounts with their servicer and the Department, in the Master Promissory Note, in writing to the Department or servicers, and at other times when they engage with the Department and its contractors.

In addition, appropriate amounts collected through administrative wage garnishment, the Treasury Offset Program, and other means of collection should count toward payments in an income-based repayment plan, simplifying and streamlining the differences between the repayment and default systems while ensuring borrowers making payments have a pathway out of debt.

In addition to strengthening the student loan repayment system, the Department should ensure taxpayer resources are used effectively by promoting a strong accountability structure. Financial aid, including loans, must promote opportunity and everyone, including institutions and the federal government, must be held accountable for that investment.

Gainful Employment and Financial Value Transparency

Throughout the public hearings on April 29th and May 1st, some institutions and their membership associations claimed the Gainful Employment (GE) and Financial Value Transparency (FVT) regulations were too burdensome and should be rescinded. But the reality is, if the Department wants to address runaway debts and costs and hold institutions accountable for poor outcomes, these regulations accomplish just that. They should be maintained and implemented as quickly as possible without further delays in reporting.

Gainful Employment

Gainful Employment regulations are a critical safeguard for students and taxpayers alike. They protect students enrolled in career education programs that result in unaffordable debts and low-wage jobs. The goal is simple: ensure career education programs deliver on their promise to prepare students for *gainful* employment after completion.

The Higher Education Act (HEA) requires that vocationally oriented programs—defined as certificate programs at all institutions and all programs at for-profit colleges—lead to gainful employment in a recognized occupation. That's because these programs are designed to provide specific training for jobs. Given their focus on workforce preparation, Congress intended that they lead to employment that justifies the time and financial investment. In fact, when vocational programs were first introduced, they were funded through a separate loan program distinct from the traditional student loan system. Legislative records from that time show lawmakers' clear concern: students should be in a position to repay their loans after completing training.

Just this week, Secretary McMahon noted that institutions must play their part in improving loan repayment outcomes and that insufficient accountability and transparency structures have allowed colleges to saddle students with debt without enough attention to whether their graduates are prepared to succeed in the labor market.

New America agrees and that is precisely why we support use of a debt to earnings rate and earnings premium under both the GE and FVT regulations. Colleges, and especially career colleges that are intended to improve students' job prospects and earnings, should be held accountable for how their students fare. Preventing programs that saddle students with unaffordable debt has widespread support among the public and students across the political spectrum. New America's 2024 nationally representative Varying Degrees survey found that roughly 70 percent of Americans agree that colleges should lose some access to taxpayer dollars if they leave their students with high debt relative to their earnings or high rates of graduates earning less than the average high school graduate. These trends held true across both Democrats and Republicans.

The GE regulations will go a long way toward protecting students. According to Department of Education estimates, the GE regulations will protect nearly 700,000 per year that would be enrolling in one of 1,700 low-performing programs.

Financial Value Transparency

Like Gainful Employment, Financial Value Transparency (FVT) is a critical safeguard and aims to strengthen student protection and enhance transparency. The FVT framework established in regulation will provide the most detailed information to date about the costs and outcomes students can expect. This transparency is essential to helping prospective students understand the risks they are taking, and particularly for students in high-cost programs whose graduates undertake unaffordable debt.

Currently, cost of attendance at institutions varies widely, making it exceedingly difficult for students and families to make financially-informed college decisions. In a 2018 report of financial aid letters, New America's analysis shows that institutions compiled letters with confusing jargon, failed to differentiate types of aid, inconsistently calculated what students actually needed to pay, and even in some cases omitted the total cost of attendance. FVT ensures that the students, the public, and policymakers have data to inform decision-making and reduce the risk of unaffordable debt.

In addition, the data provided through the FVT framework is necessary in order to develop and implement policies that hold institutions accountable for unaffordable debt. Just last week, Congressional Republicans introduced legislation that would make complicated policy changes such as limiting student aid to the median cost of college by program. While the policy is complex, currently unworkable, and deserves much more discussion based on data modeling and research, the data on cost of attendance by program currently does not exist but will once the data collected under the FVT framework is complete and publicly available.

The Department should not delay data collection any further than it has and begin the work of developing the website that houses the data in order to meet the first acknowledgement requirements in 2026.

If FVT is implemented, it is vital that this data is not only accessible to the Department but to students and families in a clear and understandable format and as expeditiously as possible to help inform choice, limit the risks of unaffordable debt, and inform future policymaking.