



Dr. Monnica Chan's Public Comment on the U.S. Department of Education's Proposed Title IV Regulations

Monnica Chan, University of Massachusetts-Boston

Thank you for the opportunity to comment today. My name is Monnica Chan, and I am an Assistant Professor at the University of Massachusetts Boston. Currently, I study the impact and interaction of state and federal student financial aid programs, including loan repayment.

In ongoing work, colleagues and I have documented how the recent instability in loan repayment program availability is stressful and confusing to borrowers. We have heard from multiple borrowers throughout the changes between the SAVE plan proposal and recent changes to the income driven repayment (IDR) application that they would like to sign up for an income-driven repayment plan, but were confused by the quick and frequent changes in program availability. This back and forth of whether a program is available or not exacerbates challenges borrowers face in selecting an appropriate repayment plan. For borrowers grappling with other life events and transitions, the complexity and evolution of federal student loan repayment is just one additional layer to an already "stressful" and "heavy" responsibility that borrowers want to fulfill.

In my work, I have also found that entering repayment coincides with other important milestones in emerging adulthood for recent college graduates. Multiple participants in our study experienced life events outside of their control – things like work-related injuries; flare-ups of a chronic health condition; looking for and then being only able to secure a per diem job; or suddenly becoming responsible for the care of elders and/or children. For these individuals, navigating loan repayment became an increased "burden" that exacerbated their feelings of stress and fostered distrust, disappointment, and anger towards important institutions in this country – institutions like Congress, ED or borrower-facing entities like loan servicers and higher education institutions. Knowing that there were repayment plans that included the option for loan forgiveness (via PSLF or IDR plans) helped ease anxiety for borrowers we spoke with by "providing an option" that seemed manageable.

If I may close by offering two principles learned from borrowers in these studies, and the rich body of academic scholarship in this area, to guide the work of this committee:

- First, loan repayment is a longer-term process that occurs simultaneously with big and small life changes for borrowers. Having options like PSLF and ICR can be an important middle option for those of whom the standard and graduate repayment plans, alongside deferment and forbearance options, are insufficient. I think of these borrowers as those being in lower wages with lower wage growth – in sectors like education and healthcare. And, I concur with other recommendations to remove interest capitalization when possible.

- Second, more information is better, but not enough. The complex processes involved in student loan management can lead to frustration, and importantly, disengagement among borrowers. Automating and simplifying eligibility and verification processes as well as small changes to messaging could go far in addressing the well-documented administrative and behavioral challenges to navigating repayment.

Thank you.