

**Proposal to set minimum rehabilitation payment amount to avoid future default
(Submitted by Tamar Hoffman)**

Good morning,

We are writing to submit a brief proposal to amend the text of 685.211(f)(1)(i). This proposal seeks to make the minimum rehabilitation payment equal to the borrower's lowest possible monthly payment under the repayment plans for which they are eligible, rather than setting it at the IBR amount for all borrowers, particularly as new borrowers will not be eligible for IBR.

The purpose of this proposal is to ensure that the "reasonable and affordable" rehabilitation payment amount is aligned with the most affordable amount borrowers will be required to pay upon successful completion of rehabilitation in the plans available to them. For many existing borrowers, that may be the IBR amount, but for some existing borrowers it may be the RAP amount or even the standard amount, and for new borrowers after July 1, 2026, who will not be eligible for IBR at all, the relevant affordable payment amount will be the lower of the RAP amount or the tiered standard plan amount.

Aligning the "affordable" amounts borrowers must pay to rehabilitate with the "affordable" amounts they will be required to pay post-rehabilitation will provide a smoother and more predictable path from rehabilitation into successful repayment. It will both increase the odds that every borrower who will be able to afford post-rehab payments has access to similarly affordable rehab payments and thus can get out of default, AND decrease the odds that borrowers will be offered lower rehab payments (e.g., IBR payments) than they will be eligible for post-rehab and thus will rehabilitate only to redefault when they cannot afford post-rehab payments.

The regulatory text we are proposing is highlighted in yellow.

685.211(f)(1)(i)

1. Before July 1, 2027, the Secretary initially considers the borrower's reasonable and affordable payment amount to be an amount equal to the **lowest** minimum payment required under **the IBR plan** ~~any repayment plan for which the borrower is eligible~~, except that if this amount is less than \$5, the borrower's monthly payment is \$5.
2. Beginning on and after July 1, 2027, the Secretary initially considers the borrower's reasonable and affordable payment amount to be an amount equal to the **lowest** minimum payment required under **the IBR plan** ~~any repayment plan for which the borrower is eligible~~, except that if this amount is less than \$10, the borrower's monthly payment is \$10.

We think this text would best align rehabilitation and post-rehabilitation payments and improve rehab-to-repayment success. However, if the Department determines that this

would be too complicated to administer, the Department could alternatively set the rehabilitation payment amount at the IBR amount for all borrowers who took out all loans prior to July 1, 2026, and the RAP amount for all borrowers who are ineligible for IBR because they took out at least one Direct Loan on or after July 1, 2026.

Thanks,
Tamar