

Income-Driven Repayment: Recertification

Prompting student borrowers to recertify for IDR plans

Agency Objective. Increase the number of student loan borrowers completing annual Income-Drive Repayment (IDR) recertification.

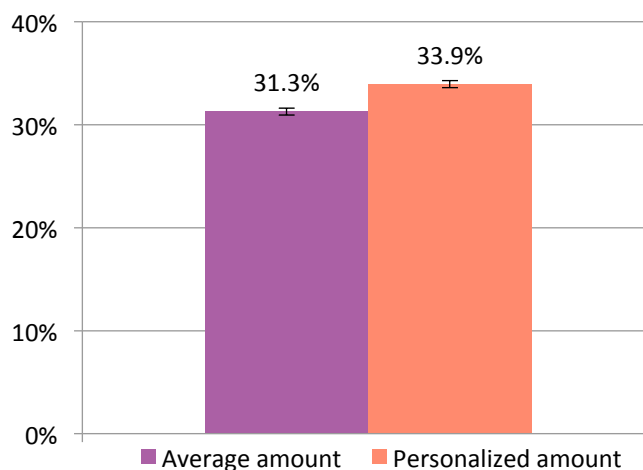
Background. Federal Student Aid (FSA) administers loans and repayment plans for higher education. Student borrowers who enroll in IDR plans are required to complete an annual recertification process to update their income and family size. More than half of borrowers fail to recertify their IDR plan each year.⁴⁷ Those who fail to recertify are placed into the 10 year standard repayment plan which typically requires higher monthly payments than what borrowers were paying under the IDR plan.

Methods. Between June and October 2015, FSA conducted a series of randomized control trials, sending emails to three separate cohorts of borrowers nearing their IDR recertification dates who would see an increased monthly payment if they did not recertify their income.

Borrowers in Cohort 1 ($n=142,505$) were randomly assigned to be sent either an email with their actual payment increase or an email stating the average payment increase for failing to recertify. Borrowers in Cohort 2 ($n=104,110$), were randomly assigned to be sent an initial email and three additional emails either spaced 31 days apart or delivered on consecutive days (the day before, day of, and day after the hard deadline for filing). Borrowers in Cohort 3 ($n=46,542$) were randomly assigned to be sent emails either with the signature of Program Manager of Direct Loan Servicing, Cindy Battle, or no signature. Within each signature group in Cohort 3, FSA randomly included or excluded the borrower's re-certification date in the body of the email.

Results. In Cohort 1, the message including the borrower's actual monthly payment increase resulted in a higher recertification rate (33.9 percent) than the average monthly payment increase (difference=2.64 p.p., $p < 0.01$, 95% CI [2.15, 3.13]). In Cohort 2, recertification rates were indistinguishable between the group sent evenly spaced reminders (64.1 percent) and those sent reminders on consecutive days (64.3 percent; difference=0.19 p.p., $p=0.53$, 95% CI [-0.40, 0.77]). In Cohort 3, including Cindy Battle's signature had no effect on recertification rates. Recertification dates for those sent emails with the recertification date recertified at a marginally higher rate (64.6 percent) than those not sent the date in the email (63.8 percent; difference=0.84 p.p., $p=0.06$, 95% CI [-0.03, 1.71]).

IDR Recertification Rates



Notes: Percentage of individuals recertifying their IDR plan in June 2015. Error bars display 95 percent confidence intervals. $n = 142,505$.

Conclusions. Including borrowers' actual payment increase was most effective at getting borrowers to recertify for IDR plans. The weakly positive effect of including the borrower's recertification date suggests it may be valuable to consider in future testing. The timing of reminder emails and the inclusion of one official's signature were not effective.

⁴⁷ Katy Hopkins and Karen McCarthy, "ED Unveils New Pilot Programs on Recertification Notifications for Certain Borrowers in Income-Driven Repayment Plans," National Association of Student Financial Aid Administrators (2015).