



Student Loans: Return to Repayment

Austin Reid, Senior Legislative Director

The National Conference of State Legislatures

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I. Repayment Restart


KEY UNDERSTANDING


Loan Payments will be due around Oct. 1, 2023 and interest will began to accrue on Sept. 1, 2023,

BUT

There are flexiblities being offered to ease the many challenges of restarting the loan program.

 The Supreme Court issued a decision blocking us from moving forward with our one-time student debt relief plan. Visit StudentAid.gov/debtrelief to learn more about the actions President Biden announced following the decision and find out how this decision impacts you.

 Student loan borrowers can get lower payments from the [new SAVE Plan](#). If you sign up for the REPAYE Plan now, you will be enrolled in the SAVE Plan before payments resume.

 An official website of the United States government.

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Federal Student Aid
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

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Considering School

I'm thinking about going to college or a career school.

In School

I'm in the process of earning a degree or certificate.

Parent

I want to help my child pay for college.

In Repayment

I have loans I need to repay.

Ask Aidan® BETA



Congress recently passed a law preventing further extensions of the payment pause. Student loan interest will resume starting on Sept. 1, 2023, and payments will be due starting in October. You'll get your billing statement or other notice at least 21 days before your payment is due. If you don't get a billing statement at least 21 days before your payment due date, contact your loan servicer.



12:05 PM

[What can I do to prepare for payments to begin?](#)

[How do I apply for the new SAVE repayment plan?](#)

[Who is my servicer?](#)

[How can I lower my student loan payments?](#)

[Other](#)



Type a Message

0/140

 SEND



TO DO LIST: Repayment Restart

- Update contact info with Federal Student Aid
- Update contact info with your federal loan servicer
- Explore other repayment plan options
- Anticipate changes in your monthly payment if on IDR plan
- Prepare for capacity challenges at servicing call centers



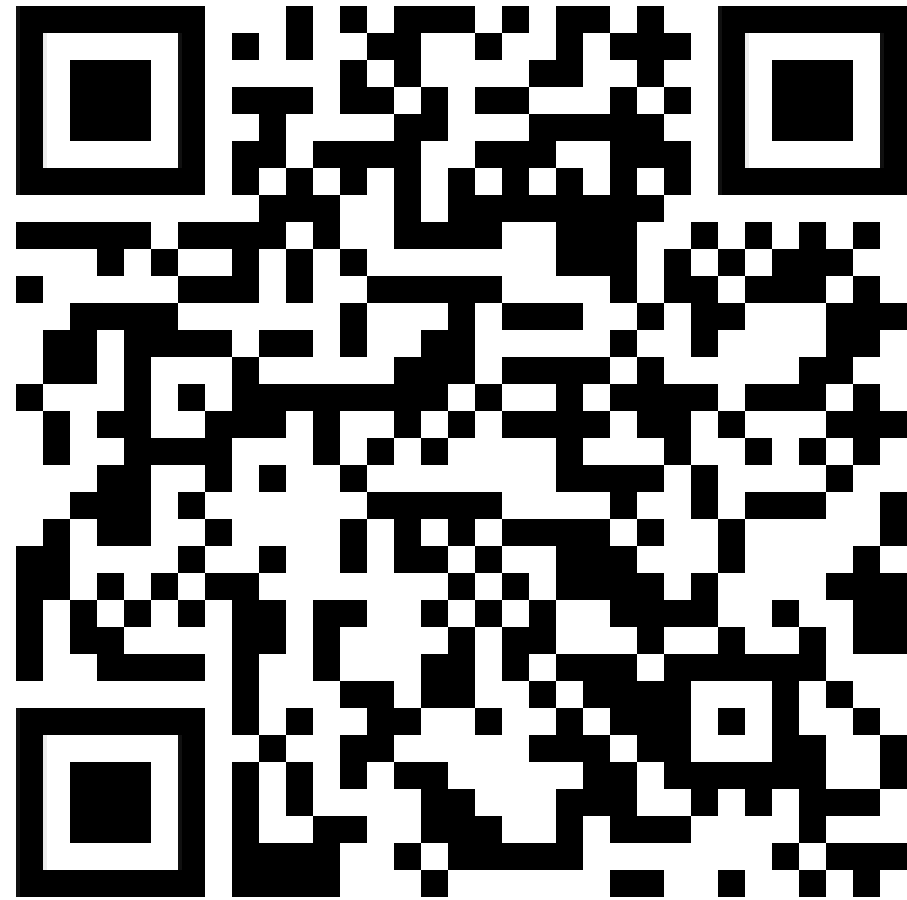
“On Ramp” To Repayment: Oct. 1, 2023 to Sept. 30, 2024

- Announced on June 30th
- No action is necessary- all borrowers qualify
- Payments are due, interest will accrue, BUT
- Interest will not capitalize at end of “on ramp”
- Borrowers who do not make payments will NOT:
 - Be reported to credit bureaus
 - Be considered in default
 - Referred to collection agencies



FRESH START for Defaulted Borrowers

- One-time initiative, available until Sept. 30, 2024
- Opt-In program that provides pathway out of default
- Restores access to federal student aid
- Ends collections activity
- Restores access to IDR and loan forgiveness



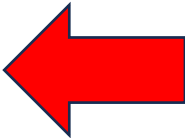
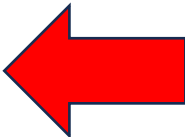


II. The SAVE Plan

KEY UNDERSTANDING

SAVE, the new income-driven repayment plan, is likely the most generous repayment option, especially for undergraduate borrowers.

What Are the Major Changes in the Proposed IDR Plan?

- Increases the amount of income exempted from the calculation of monthly payments to 225 percent (from 150 percent) of the federal poverty guidelines; 
- Reduces the amount of discretionary income that undergraduate borrowers pay to 5 percent (graduate borrowers continue to pay 10 percent);¹
- Eliminates the accrual of unpaid interest when a borrower's payment does not cover the entire amount of interest due; 
- Allows borrowers with lower balances to receive early forgiveness; and
- Authorizes the Department of Education to automatically enroll borrowers in an IDR plan if they are 75 days delinquent on payments.

Saving on a Valuable Education (SAVE) Plan

Estimated Monthly Payment Under the SAVE Plan

| | | | | | | |
|--------|-------|-------|-------|------|-----|-----|
| Income | \$60k | \$227 | \$130 | \$34 | \$0 | \$0 |
| | \$50k | \$143 | \$47 | \$0 | \$0 | \$0 |
| | \$40k | \$60 | \$0 | \$0 | \$0 | \$0 |
| | \$30k | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$20k | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$10k | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | 1 | 2 | 3 | 4 | 5 |

Family Size



Savings for a Sample Student Loan Borrower



ALEXANDER

ANNUAL INCOME: \$38,000

LOAN BALANCE: \$25,000

INTEREST RATE: 5%
on a Direct Subsidized Loan

Alexander is a borrower with no dependents and makes **\$38,000** a year. He would save **\$91** per month under the SAVE Plan.

\$134

Previous Monthly
Payment Under REPAYE

\$43

New Monthly
Payment Under SAVE

Assumes family lives in contiguous 48 states. Estimates are for illustrative purposes only. Your loan servicer will calculate your actual monthly payment amount under the SAVE Plan.

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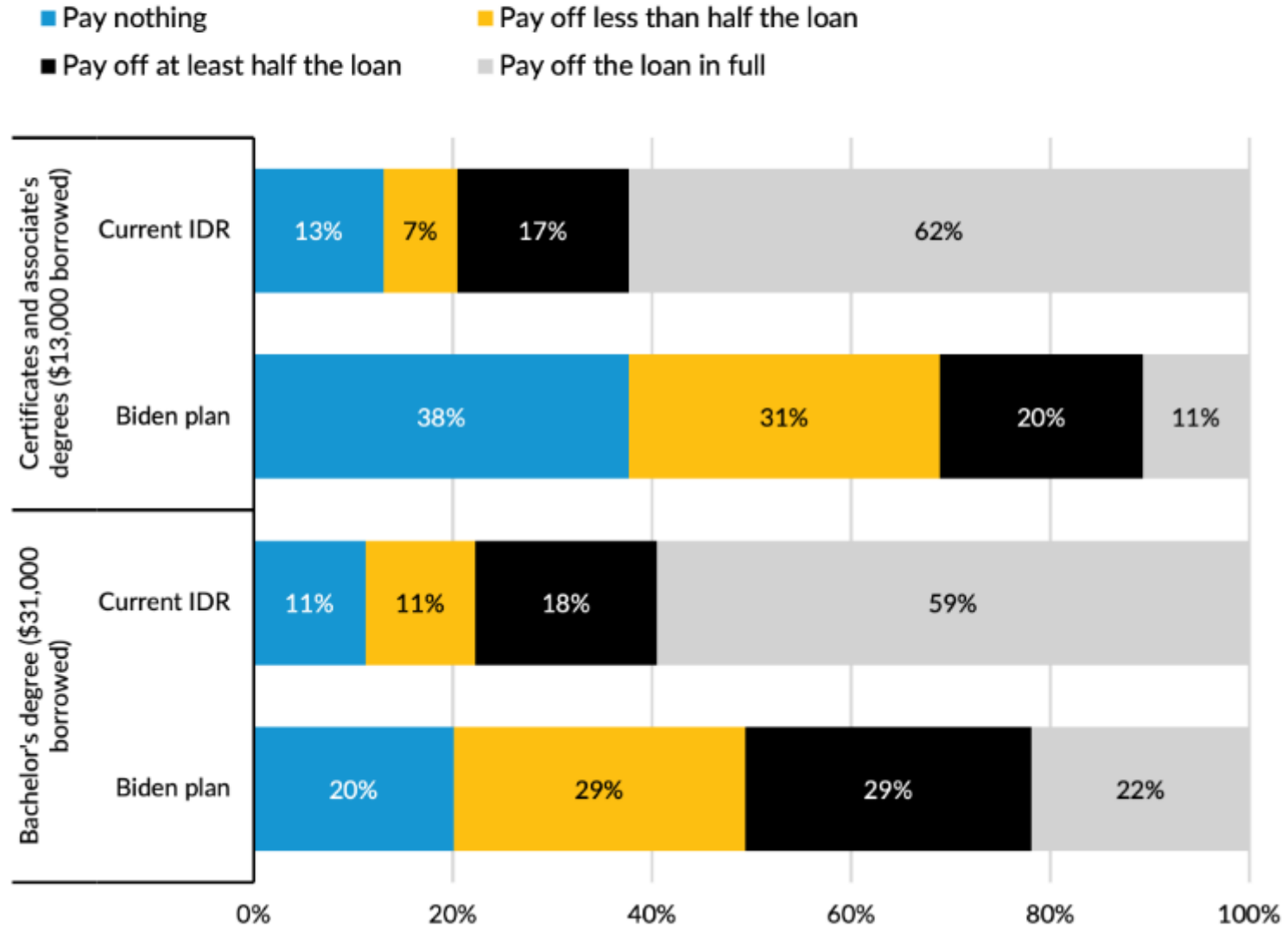
These reforms would simplify loan repayment and deliver significant savings to low- and middle-income borrowers:

For example:

| Career and background | Lower monthly payments | Annual savings |
|---|---|--------------------------|
| A typical single construction worker making \$38,000 a year with a construction management credential | \$31 a month, compared to the \$147 they pay now | Nearly \$1,400 |
| A typical single public school teacher with an undergraduate degree making \$44,000 a year | \$56 a month, compared to the \$197 they pay now | Nearly \$1,700 |
| A typical nurse with a bachelor's degree who is married with two kids making \$77,000 a year | \$61 a month, compared to the \$295 they pay now | More than \$2,800 |

Few Undergraduate Borrowers with Typical Debt Levels Would Repay Their Loans under the Biden Administration's IDR Proposal

Estimated loan repayment amounts under current IDR and the Biden IDR plan, by credential completed



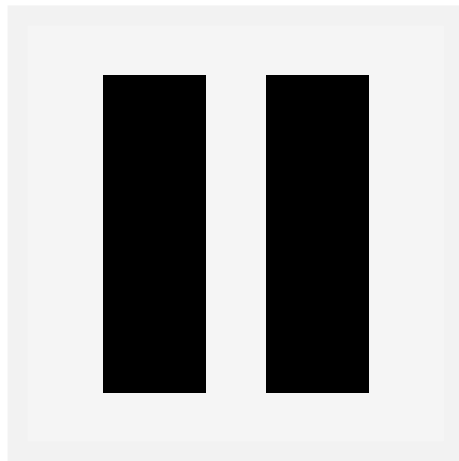


III. Student Loan Relief

KEY UNDERSTANDING

There are multiple pathways for loan forgiveness and recent reforms are making them more accessible to borrowers.

SINCE 2020, LOAN RELIEF OVER \$300 BILLION, including \$116 BILLION FORGIVEN



Student Loan Pause

42-month pause likely cost \$5 billion/month

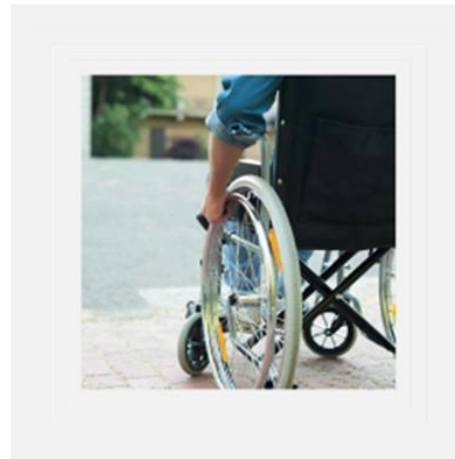
~\$200 billion



Borrower Defense to Repayment

Claims of fraud, misrepresentation, institution closure

\$22 billion



Total and Permanent Disability

Submit discharge form in event of disability

\$10.5 billion



Income-driven Repayment

20-25 years of qualifying payments based on income level

\$39 billion

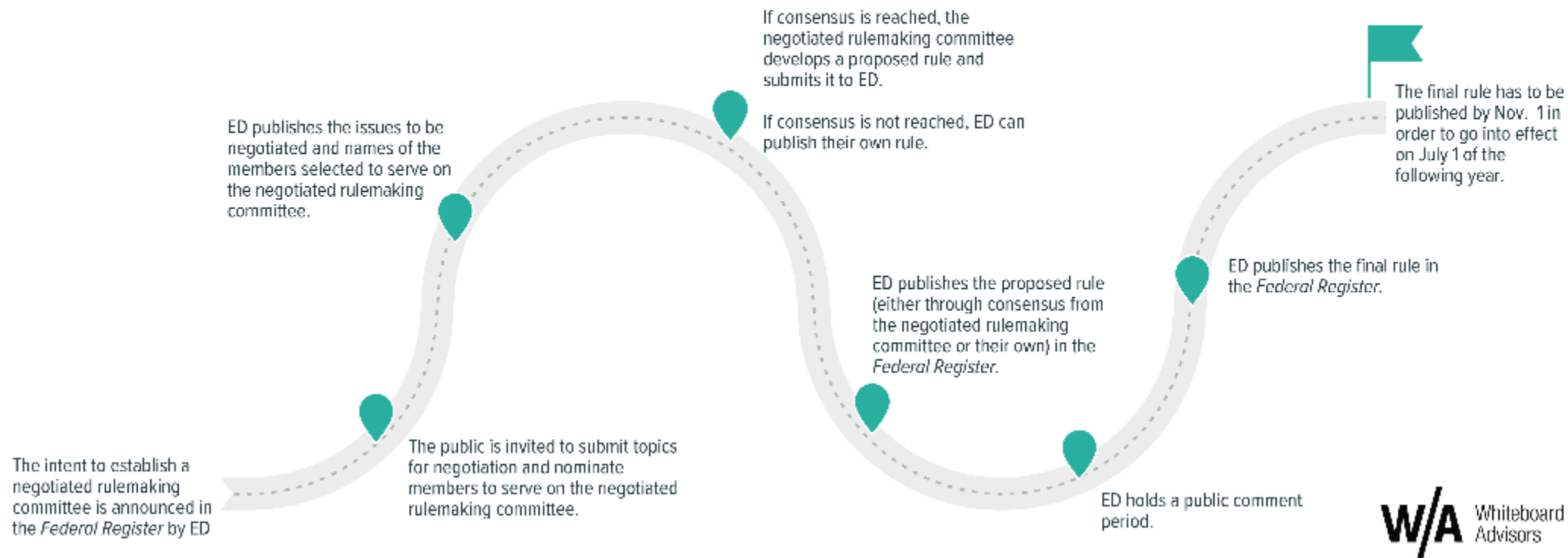


Public Service Loan Forgiveness

10 years of qualifying payments in IDR with qualifying employers

\$45 billion

The Negotiated Rulemaking Process





THANK
YOU