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New Federal Rules Will Help Keep Student Loan Payments Affordable

(Oakland, CA) Today the U.S. Department of Education issued [final regulations](#) that will help many more federal student loan borrowers lower their monthly payments and avoid default. Final rules for the new Pay-As-You-Earn repayment plan will provide additional much-needed repayment relief to recent graduates, who are entering the job market with record student debt and facing near record unemployment rates. The new rules will also make the current Income-Based Repayment (IBR) and Income-Contingent Repayment (ICR) plans more accessible and helpful to borrowers, and simplify the process of discharging federal student loans in cases of total and permanent disability.

“With graduates from the Class of 2012 starting to face their first student loan payments this month, today’s news could not be more timely,” said **Lauren Asher**, president of the Institute for College Access & Success (TICAS), which is home to the national Project on Student Debt.

The new Pay-As-You-Earn plan will provide many recent and soon-to-be college graduates with monthly payments tied to their income that are lower than currently available in IBR or ICR, as well as loan forgiveness after 20 rather than 25 years of payments. Under the final rules, to be eligible for Pay-As-You-Earn, borrowers must have taken out their first federal student loan after September 30, 2007 and at least one after September 30, 2011.

“Because any debt remaining will be forgiven after 20 years of payments rather than 25, borrowers will be better able to save for retirement and help their children pay for college,” said TICAS vice president **Pauline Abernathy**. “IBR provides an important light at the end of the tunnel for student loan borrowers, and with Pay-As-You-Earn, the light shines that much brighter.”

TICAS and its Project on Student Debt developed the [policy proposal](#) that formed the basis of IBR, which recommended forgiveness after 20 years of payments. Dozens of organizations representing students, consumers, colleges, and lenders [supported](#) the goals of that policy proposal.

The current IBR plan has already helped *more than one million* federal student loan borrowers lower their monthly payments and avoid default since it became available in July 2009. No one repayment plan will be the best or most affordable option for everyone, but many more borrowers could benefit from IBR and Pay-as-You-Earn in these tough economic times.

“Especially in this economy, IBR could be helping millions more people make affordable payments instead of falling so deep in the hole that they can’t climb out,” Asher said. “More needs to be done to tell struggling borrowers about IBR.”

The rules issued today also make IBR and related repayment plans work better for borrowers. For example, the rules ensure borrowers are notified about when they must submit updated income information and when they may qualify for loan forgiveness. In addition, the Department of Education

recently made it possible for borrowers to easily enroll in IBR and annually update their income information online. A key feature of this new tool is that borrowers can retrieve and transfer their own tax information into the form electronically, speeding up the process for confirming eligibility and determining payment levels. The Department plans to make a comparable process available for Pay-As-You-Earn and ICR in the near future.

The new rules also help streamline the current complex process of discharging federal student loans for borrowers who become totally and permanently disabled. Such borrowers will be able to submit just one application to the Department of Education rather than having to submit separate applications to each of their lenders.

NOTE: For more about how IBR works and how to apply, see our consumer website: IBRinfo.org.

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An independent, nonprofit organization, [The Institute for College Access & Success](http://TheInstituteForCollegeAccess&Success.org) (TICAS) works to make higher education more available and affordable for people of all backgrounds. TICAS' [Project on Student Debt](http://ProjectOnStudentDebt.org) works to increase public understanding of rising student debt and the implications for our families, economy, and society. Follow us on [Twitter](https://twitter.com/TICAS).