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All Federal Direct Student Loan Borrowers Eligible for New Repayment Plan

REPAYE Gives Congress Strong Starting Point to Streamline Income-Driven Plans

(Oakland, CA) – Final regulations issued today by the U.S. Department of Education create a new income-driven repayment (IDR) plan for federal student loans, called Revised Pay As You Earn (REPAYE), which improves on existing plans in key ways.

Under the new plan, which is expected to become available in December of this year, all borrowers with federal Direct student loans will be able to cap their monthly payments at 10% of their discretionary income, regardless of when they borrowed or their debt-to-income ratio. REPAYE also limits interest accrual for borrowers with low income relative to their debt, treats married borrowers more equitably, and better targets benefits by removing the "standard payment cap" so higher income borrowers pay the same share of their income as lower income borrowers.

"REPAYE gives Congress a strong starting point for streamlining the multiple existing income-driven plans into one improved plan," said **Lauren Asher**, president of The Institute for College Access & Success (TICAS). "Allowing all borrowers to enroll regardless of when they borrowed or how much they owe will help more struggling borrowers better manage their payments, including those who dropped out of school with low balances and are among the most likely to default."

Unfortunately, REPAYE requires borrowers with any graduate school loans to make 25 years of payments on all of their loans before any remaining debt is forgiven, while borrowers with only undergraduate debt are eligible for forgiveness after 20 years. TICAS and more than 2,400 organizations and members of the public had urged the Department to limit payments to 20 years for all borrowers in REPAYE.

"Twenty years is long enough to have to repay your student debt," said TICAS vice president **Pauline Abernathy**. "A maximum 20-year repayment period helps all borrowers focus sooner on other important priorities, like saving for their retirement and for their children's education. We urge Congress to streamline the multiple IDR plans into one improved plan that caps monthly payments at 10% of discretionary income, targets benefits to borrowers who need help the most, and discharges any balance remaining after 20 years of payments, tax-free."

TICAS is a leading advocate for these and other improvements to IDR plans. Our Project on Student Debt developed the policy framework and led the campaign that resulted in the Income-Based Repayment (IBR) plan, which has been available to borrowers with federally guaranteed (FFEL) and/or Direct student loans since 2009.

Nearly four million Direct Loan borrowers are enrolled in the current IDR plans. A recent GAO report looked at borrowers enrolled in the two most popular IDR plans and found that the large majority had annual incomes of $20,000 or less, and that they defaulted at much lower rates than borrowers in other types of plans. While income-driven repayment may not be the best or most affordable choice for all borrowers, it is a critical option for borrowers who are struggling to manage their monthly payments.

Additionally, the two sets of regulations issued today help ensure that students have a real choice of aid disbursement options that protect their student aid funds from being eroded by fees, and that military servicemembers benefit from the interest rate cap provided under the Servicemembers Civil Relief Act (SCRA). The new regulations also include changes to increase the efficacy of cohort default rate challenges and appeals for colleges where relatively few students borrow. We have long advocated for this change to encourage colleges to continue offering federal student loans.

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