the institute for college access & success

THE DEBT IS IN THE DETAILS

A REVIEW OF EXISTING PROPOSALS TO STREAMLINE INCOME-DRIVEN REPAYMENT

JULY 2019

Income-driven repayment (IDR) plans provide borrowers with an option to make monthly payments based on their individual income and family size, and offer a light at the end of the repayment tunnel to ensure those payments don't last a lifetime. By keeping monthly payments more affordable, IDR is a critical safety net for struggling borrowers that reduces the risk of delinquency and default. Over eight million borrowers currently benefit from IDR.[1] At the same time, the current range of plans — for which eligibility requirements, costs, and benefits vary — creates barriers to successfully navigating repayment, and can contribute to under-enrollment among borrowers who most need IDR.

There is broad bipartisan agreement for streamlining the multiple IDR plans available today, and policymakers, as well as policy organizations, have offered a number of reform proposals to do so. While a single new IDR plan is the premise of each proposal, the design details of the proposals can vary. A review of these design details across existing legislative proposals reveals some areas of contention as well as a great deal of consensus.

The details of IDR design directly impact policymakers' ability to accomplish repayment simplification goals while avoiding unintended consequences for college costs and debt, particularly for the lowest income borrowers. The ability of IDR to fulfill its promise as a safety net for borrowers, and the degree to which benefits flow to borrowers in the most need of relief, depend on specific design decisions, including how monthly payments are calculated, how long borrowers remain in repayment, and the tax treatment of interest at the time of forgiveness. Additional technical design elements, like the treatment of interest, impact the cost to the borrower and the ultimate success of a streamlined IDR plan. TICAS' own detailed roadmap for a streamlined IDR plan includes specific examples of the relative cost to borrowers of different IDR design decisions.

THE TICAS PROPOSAL

- Monthly payments never exceed ten percent of taxable income
- Any remaining debt is forgiven after 20 years of payments
- Forgiven debt is not treated as taxable income
- Benefits are targeted to those who need help the most
- Accumulated interest growth is limited to restrain ballooning balances for borrowers with low incomes relative to their debt
- Borrowers can easily keep their income information up to date

In addition to the single IDR plan proposed in the last three Presidents' budgets,[2] several major legislative proposals to establish a single streamlined IDR plan have been introduced in former and current sessions of Congress. These include: the LOAN Act (S. 1292, 116th), the Affordable Loans for Any Student Act (S. 1002 and H.R. 2065, 116th), the ExCEL Act (H.R. 2580, 115th),[3] the Repay Act (S. 1176, 115th Congress), and the Dynamic Repayment Act (S. 799, 115th). The House Committee Republicans' comprehensive proposal for reauthorizing the Higher Education Act, the PROSPER Act (H.R. 4508, 115th Congress), included a single IDR proposal, and the House Committee Democrats' alternative, the Aim Higher Act (H.R. 6543, 115th), included the IDR reforms detailed in the Affordable Loans for Any Student Act.

IDR PROPOSALS REVIEWED
(listed in reverse chronological order)

Name	Sponsor(s)	Bill Number (Congress)
The LOAN Act	Sen. Marco Rubio (R-FL)	S. 1292 (116th)
The Affordable Loans for Any Student Act*	Sen. Jeff Merkley (D-OR) & Rep. Rosa DeLauro (D-CT)	S. 1002, H.R. 2065 (116th)
President's FY20 Budget	n/a	n/a
The PROSPER Act	Rep. Virginia Foxx (R-NC)	H.R. 4508 (115th)
The ExCEL Act	Rep. Lee Zeldin (R-NY)	H.R. 2580 (115th)
The Repay Act	Sens. Angus King (I-ME) & Richard Burr (R-NC)	S. 1176 (115th)
The Dynamic Repayment Act	Sens. Mark Warner (D-VA) & Marco Rubio (R-FL)	S. 799 (115th)

* The House Education and Workforce Democrats' comprehensive proposed reauthorization of the Higher Education Act, the Aim Higher Act (H.R. 6543, 115th Congress), also includes a detailed IDR reform proposal that reflects what is proposed in S. 1002.

To shed light on areas of policy agreement beyond broadly reducing the number of available repayment plan options, we reviewed the details of all of these proposals to streamline IDR, as well as the most recently created IDR plan, REPAYE. A summary of these details is available in the Appendix.

Our analysis of the design details of these key proposals identified a number of encouraging areas of full or near consensus, including that:

- IDR is provided as an option to borrowers rather than mandated or universal;
- IDR provides debt forgiveness after some fixed period of repayment;
- IDR is available to all student borrowers with federal loans, regardless of their debt-to-income ratio;
- IDR benefits are better targeted to those who need them most:
    - All borrowers in IDR always make payments based on their income;
    - Married borrowers are treated consistently, regardless of how they file their taxes; and
- Borrowers enrolled in IDR have the option for automatic annual income certification to make staying enrolled simpler and more efficient.

The proposals we reviewed also diverge on a number of key design details that directly impact the cost of student loan repayment, including:

- The share of income a borrower must put toward monthly loan payments;
- The number of years a borrower must be in repayment before any remaining debt is forgiven;
- Whether or not debt forgiven at the end of the repayment period is taxable;
- The treatment of accumulated interest growth; and
- Circumstances under which interest capitalizes during enrollment.

Below, we explore each of the above design details in more depth.

Areas of Broad Agreement in IDR Design Detail

IDR is provided as an option to borrowers rather than mandated or universal

All of the pending proposals to streamline IDR demonstrate consensus that as Congress looks to simplify the student loan repayment system, borrowers should retain the ability to choose between two types of plan: fixed, predictable payments in a standard plan, and flexible payments based on income and family size in an income-driven plan. While three of the major proposals we reviewed (the Dynamic Repayment Act, the ExCEL Act, and the LOAN Act) would make IDR the default option for borrowers, the broad agreement that a borrower must proactively enroll in IDR, rather than be automatically enrolled, reflects shared understanding that IDR may not be the best plan for all borrowers. Because borrowers in IDR may carry debt for a longer period of time and pay more in total over the life of their loans, a fixed standard plan remains an important option for borrowers. Despite the appeal of administering only one plan, all the proposals share an understanding of the importance of maintaining both avenues for repayment.

IDR provides debt forgiveness after some period of repayment

While there is less agreement on how long borrowers should remain in repayment before any remaining debt is forgiven (see page 5), the majority of proposals we reviewed include forgiveness of any debt remaining after some number of years in repayment. Just one proposal, the ExCEL Act, does not provide any forgiveness relief. Two other proposals take different approaches but still recognize the importance of avoiding payments for a lifetime: The PROSPER Act's IDR plan provides forgiveness after a certain amount of debt is repaid rather than at a fixed point in time, and the LOAN Act directs the Secretary of Education to determine the appropriate loan forgiveness timeframe.

Virtually all of the proposals appear to recognize that, without a fixed period of repayment after which any remaining debt is forgiven, the lowest income borrowers could be stuck repaying their loans for the rest of their lives. While many borrowers in IDR will repay their loans in full, capping the number of years of loan repayment in IDR provides necessary relief for those borrowers whose incomes are so low relative to their debt that they are unable to fully repay their loans, even after decades of monthly payments. Without a fixed forgiveness period, lifelong repayment is almost a guarantee for borrowers with persistently low incomes relative to their debt, and thus the emerging consensus on forgiveness at a fixed point in time is encouraging.

IDR is available to borrowers regardless of their debt-to-income ratio

The proposals are also unanimous in that they eliminate the existing requirement in some existing IDR plans that require borrowers to demonstrate a "partial financial hardship" (PFH) in order to be eligible.[4] Plans that require a PFH are only available to borrowers whose calculated payment based on income and family size is less than what they would pay under the fixed 10-year plan (i.e. borrowers with a high income to debt ratio). Removing this eligibility requirement allows any borrower to make payments based on income if they prefer. It also simplifies the process of selecting and enrolling in IDR because borrowers don't need to understand and satisfy the administrative requirements of demonstrating a qualifying level of debt to earnings. It also simplifies the process for loan servicers, who similarly would not need to calculate and track a borrower's PFH status. Elimination of the PFH requirement is also likely to result in more effective outreach by eliminating the need to explain complicated eligibility requirements.

IDR benefits are better targeted to those who need them most

All borrowers in IDR always make payments based on their income

Some existing IDR plans cap monthly payments at the amount a borrower would have had to pay were they enrolled in a fixed 10-year plan (called the "permanent standard" amount). This results in some high-income borrowers paying a smaller share of their income than lower income borrowers. Eliminating the standard payment cap increases program fairness and prevents high-debt, high-income borrowers from receiving substantial loan forgiveness when they could have afforded to pay more. The current REPAYE plan does not include a standard payment cap, consistent with TICAS' recommendation. And outside of the LOAN Act, for which this detail is not specified, the payment cap would not apply under any of the reform proposals reviewed.

Married borrowers are treated consistently, regardless of how they file their taxes

Current IDR plans do not all treat married borrowers the same: some plans allow married borrowers who file taxes separately to have their spouse's income excluded from the monthly payment calculation while still including that spouse in the family size used for the calculation of income exclusion. Nearly all the proposals we reviewed reflect a recognition that IDR plans should count household incomes and family sizes consistently in order to ensure equity and better target IDR benefits, a consensus mirroring both the current REPAYE plan and TICAS' approach. Just one of the proposals we reviewed (the Dynamic Repayment Act) does not treat married borrowers consistently regardless of how they file their taxes.[5]

Borrowers enrolled in IDR have the option for automatic annual income certification to stay enrolled

The majority of the IDR proposals reviewed would also automate the required annual verification of family size and income. In order to keep making affordable payments based on income in current IDR plans, borrowers must currently submit verification of their family size and income. But the most recent data made public by the Department of Education showed that over half of borrowers in IDR missed their deadline.[6] Borrowers who fail to certify their income on time can see unaffordable spikes in their monthly payment amounts. Further, the capitalization of interest (in which unpaid interest is added to the principal amount, on which new interest accrues) can add substantial costs and increase the risk of delinquency and default. (For more on treatment of interest capitalization in IDR, see page 9.)

Eliminating the need to submit key information every year makes it significantly easier for borrowers to continue making payments based on income and stay on top of their payments. All but two of the IDR reform proposals (the Repay Act and the PROSPER Act) we reviewed include provisions that would automate this process. Two proposals would allow borrowers to give the IRS permission to annually provide the Department of Education with their income information, an approach that has gained support from a broad group of diverse stakeholders.[7] The others would accomplish automatic income certification through a proposed overhaul of the repayment process that operates through paycheck withholding already relying on such data sharing.

Where Proposed IDR Design Details Diverge

There is a remarkable amount of consensus around important IDR features, including the availability of a fixed forgiveness point, access to IDR regardless of financial circumstances, access to a streamlined process for remaining enrolled in IDR, as well as key ways to ensure the IDR benefits are well targeted. At the same time, some areas of divergence remain around other key design details, including those acutely felt by borrowers, such as the share of income required to go toward monthly payments and the required repayment period.

The share of income a borrower must put toward monthly loan payments

The actual amount of the required monthly payment in IDR is of utmost concern for a borrower. Three of the existing IDR plans, including REPAYE, set payments at ten percent of discretionary income, and in February 2019, Senate HELP Committee Chairman Alexander also endorsed a ten percent threshold.[8] Four of the seven proposals we reviewed set monthly payments at ten percent of discretionary income for all borrowers, which is also consistent with TICAS' recommendation.[9]

While there is growing consensus around a payment of ten percent of discretionary income, some proposals would require higher payment amounts for some or all borrowers. The President's budget proposal would increase all monthly payment amounts by 25 percent, the PROSPER Act would increase all payments by 50 percent, and the Repay Act would increase monthly payments for borrowers earning over $25,000.

Requiring higher payments allows borrowers to pay off their loans faster, but at the expense of an increase in monthly payments. While some borrowers might be able to afford higher payments, for many borrowers, a higher payment puts at risk IDR's goals of ensuring manageable monthly payments and preventing borrowers from defaulting. Increases in monthly payment amounts are particularly hard on those juggling private student loan payments, health care expenses, or other financial obligations not factored into the IDR formula.

Monthly Payment as a Share of Income	
Department of Education's REPAYE plan	10% of discretionary income
TICAS Proposal	10% of discretionary income
Rubio LOAN Act S. 1292 (116th)	10% of income above a flat $10k exemption (indexed to inflation)
Merkley Affordable Loans for Any Student Act S. 1002 (116th)	10% of discretionary income
President's FY20 Budget Proposal	12.5% of discretionary income
Foxx PROSPER Act H.R. 4508 (115th)	15% of discretionary income; minimum $25 monthly payment
Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	15% of discretionary income (including non-wage income above $3k)
King-Burr Repay Act S. 1176 (115th)	10% of discretionary income less than $25k plus 15% of discretionary income of at least $25k ("bend point" indexed to inflation)
Warner-Rubio Dynamic Repayment Act S. 799 (115th)	10% of income (including non-wage income above $3k) above a flat $10k exemption (indexed to inflation)

The number of years a borrower must be in repayment before any remaining debt is forgiven

How long a borrower must make payments before any remaining balance is forgiven is also a critical factor both for borrowers and for effective IDR plan design. Many borrowers will repay their loans in full within the current IDR repayment period. While borrowers with higher earnings are less likely to be affected by an extended repayment period, a longer required repayment period disproportionately increases cost for borrowers with continued low earnings relative to their loan balance and who have remaining debt even after making decades of required payments. Extending the required repayment period also risks exacerbating economic impacts of long-term student debt that can already prompt borrowers to delay or entirely avoid starting a business or family, buying a home, or saving for retirement and their own children's education.

REPAYE currently offers forgiveness after 20 years of payments to borrowers holding only undergraduate debt, and forgiveness after 25 years of payments for borrowers holding any graduate or professional school debt. The Affordable Loans for Any Student Act would eliminate this differential requirement based on type of loan, and provide forgiveness for all borrowers after 20 years, consistent with TICAS' proposal, as well as two existing IDR plans.

While the President's proposed IDR plan reduces the repayment period for borrowers with only undergraduate debt to 15 years, it also extends the repayment period for borrowers with any graduate debt to 30 years. Two other proposals take a similar approach in requiring different repayment periods depending on a borrower's amount of debt, functionally requiring borrowers with any graduate debt to repay longer than 20 years.

A differential approach to repayment length reflects a genuine concern about providing forgiveness benefits to borrowers with relatively high income, who are often those with graduate degrees. While such an effort to target forgiveness benefits to lower income borrowers is warranted, lengthening the repayment period based on an amount or type of debt is at odds with the fundamental premise of IDR that payment amounts be based on ability to pay, rather than the type of debt owed.

There are alternative approaches to better targeting IDR's forgiveness benefits that are more aligned with this principle, and avoid penalizing borrowers with high debt and persistently low income. These include removing the standard payment cap which allows higher income borrowers to pay a smaller

Repayment Period (After Which Remaining Balance Is Forgiven)	
Department of Education's REPAYE plan	* 20 years for borrowers with undergraduate debt only * 25 years for borrowers with any graduate debt
TICAS Proposal	20 years
Rubio LOAN Act S. 1292 (116th)	Grants Secretary authority to determine the appropriate forgiveness timeframe
Merkley Affordable Loans for Any Student Act S. 1002 (116th)	20 years
President's FY20 Budget Proposal	* 15 years for borrowers with undergraduate debt only * 30 years for borrowers with any graduate debt
Foxx PROSPER Act H.R. 4508 (115th)	Borrower in repayment for as long as it takes to repay the principal and interest that would be paid under a 10-year standard plan
Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	Full life of loan (no debt forgiveness)
King-Burr Repay Act S. 1176 (115th)	* 20 years if total balance at start of repayment is equal to or less than $57.5k (current max undergraduate aggregate borrowing amount) * 25 years if total balance at start of repayment exceeds $57.5k
Warner-Rubio Dynamic Repayment Act S. 799 (115th)	* 20 years if total balance at start of repayment is less than the current max undergraduate aggregate borrowing amount * 30 years if total balance at start of repayment is greater than or equal to undergraduate aggregate max

share of their income, treating married borrowers consistently, and gradually phasing out the amount of income protected from the payment calculation ("income exclusion") for borrowers with high incomes. All but the latter of these targeting reforms are included in the majority of the proposals reviewed.[10]

The Affordable Loans for Any Student Act also includes a targeting design feature that phases out the income exclusion for higher income borrowers. The current REPAYE plan excludes from the monthly payment calculation any income that is 150% or less than the federal poverty level. Gradually phasing out the level of income protected from the monthly payment calculation reflects the fact that borrowers with higher incomes can afford to spend a larger share of their total income on loan payments and still have sufficient funds to cover basic needs. As such, it helps prevent borrowers with high incomes and high debt from receiving loan forgiveness through IDR when they could have afforded to pay more. A phase out that, for example, reduces the income protected by one percentage point for each $1,000 of adjusted gross income (AGI) over the standard protected amount also avoids a cliff effect where $1 more in AGI triggers a large increase in monthly payment amounts.[11] The Affordable Loans for Any Student Act begins phasing out the income exclusion for borrowers whose adjusted gross incomes exceed $120k.[12]

The tax treatment of debt forgiven in IDR

Under current law, debt forgiven under IDR is treated as taxable income, which severely undermines the benefit of loan forgiveness by turning one unaffordable debt into a potentially significant tax liability. A prior TICAS analysis showed this IDR tax penalty would double the federal income tax owed by a borrower receiving forgiveness after making 20 years of required loan payments. Having the government-as-lender forgive debt so that a borrower may move on only to have the government-as-tax-collector immediately demand further payment is inherently contradictory. And concern about the added cost in a tax obligation can discourage borrowers who would otherwise benefit from enrolling in IDR. Debt forgiven due to school closures or for the pursuit of public service careers is not currently taxed, and eliminating the taxation of debt similarly forgiven through IDR would eliminate the inequity of tax treatment of debt discharged through different means.

Debt Forgiven in IDR Plan Treated as Taxable Income	
Department of Education's REPAYE plan	Yes
TICAS Proposal	No
Rubio LOAN Act S. 1292 (116th)	Yes
Merkley Affordable Loans for Any Student Act S. 1002 (116th)	Yes*
President's FY20 Budget Proposal	Unknown
Foxx PROSPER Act H.R. 4508 (115th)	Yes
Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	N/A (no debt forgiveness)
King-Burr Repay Act S. 1176 (115th)	Yes
Warner-Rubio Dynamic Repayment Act S. 799 (115th)	No

*Senator Merkley introduced separate legislation (S. 1248, 116th) to eliminate the taxation of debt forgiven in IDR.

Unfortunately, the proposals we reviewed do not consistently correct the current taxation of debt forgiven through IDR: only the Dynamic Repayment Act would eliminate the treatment of forgiven debt amounts as taxable income, as also included in TICAS' proposal.[13]

The treatment of accumulated interest growth

Borrowers experiencing periods of low or no income can see their balances grow as interest accumulates, even as they make required payments. When the designated IDR monthly payment amounts do not cover the interest, the interest accumulation ("negative amortization") can cause significant distress for the borrower, as well as added costs to the loan. The stress of growing balances during repayment can dissuade the very borrowers for whom IDR provides a critical financial safety net from enrolling. The current REPAYE plan caps interest accrual for borrowers whose loans are negatively amortizing, preventing any unpaid interest from accruing on negatively amortizing subsidized loans during the first three years in IDR, and reducing by half the unpaid interest accrued on those loans thereafter; for unsubsidized loans, half of unpaid interest accrues during any period of negative amortization.

All but one of the reform proposals we reviewed include some form of targeted benefits that restrain unpaid interest growth.[14] But they diverge in the scale of that benefit, as well as who would receive it. TICAS' proposal, as well as the Affordable Loans for Any Student Act, include relief from interest accumulation consistent with what is provided in the current REPAYE plan. Both the Dynamic Repayment Act and the ExCEL Act provide an interest subsidy only to active duty service members. The PROSPER Act would cap the total loan cost at the total amount (principal and interest) a borrower enrolled in IDR would have paid under the standard 10-year plan, therefore protecting against negative amortization.

Treatment of Interest Accrual While Enrolled in IDR	
Department of Education's REPAYE plan	* Subsidized loans: Unpaid accrued interest is 100% covered for up to the first 3 years, then 50% covered afterwards * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods
TICAS Proposal	* Subsidized loans: Unpaid accrued interest is 100% covered for up to the first 3 years, then 50% covered afterwards * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods
Rubio LOAN Act S. 1292 (116th)	Replaces interest for all loans with one-time financing fee (regardless of repayment plan)
Merkley Affordable Loans for Any Student Act S. 1002 (116th)	* Subsidized loans: Unpaid accrued interest is 100% covered for up to 3 years, then 50% covered afterwards * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods
President's FY20 Budget Proposal	Unknown
Foxx PROSPER Act H.R. 4508 (115th)	Caps interest payments so that borrowers would be required to repay the equivalent of the principal and interest amount they would have paid under a standard 10-year plan (in addition to interest accrued during any deferments)
Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	Total interest accrued never exceeds 50% of the total amount of the loan
King-Burr Repay Act S. 1176 (115th)	Unpaid accrued interest is 100% covered for all Direct Loans for up to the first 3 years
Warner-Rubio Dynamic Repayment Act S. 799 (115th)	No subsidy

Circumstances under which interest capitalizes during enrollment

In addition to negative amortization, some borrowers in IDR face financial hardships as a result of interest capitalization, which occurs when all of a borrower's accumulated unpaid interest is added to the outstanding principal balance. Interest can capitalize at a number of different points in repayment, including at the end of a forbearance period and when a borrower in IDR misses their annual deadline to recertify their income. After interest capitalizes, new interest begins accruing on that larger balance, increasing the total cost of a loan. When interest capitalizes, a borrower can end up paying more over a longer period of time, or have larger amounts forgiven. Interest capitalization is particularly consequential for borrowers with persistently lower incomes relative to their debt, whose required monthly payments do not cover monthly accumulating interest.

The Affordable Loans for Any Student Act provides that no interest capitalizes while a borrower in enrolled in IDR, consistent with TICAS' proposal. The Dynamic Repayment Act prevents interest capitalization only during grace and repayment periods, and the Repay Act would have a borrower's interest capitalize when the calculated monthly payment exceeds what would be required under a fixed 10-year repayment plan.

Interest Capitalization While Enrolled in IDR	
Department of Education's REPAYE plan	Interest can capitalize after borrowers exit a deferment or forbearance
TICAS Proposal	No interest capitalization while enrolled in IDR
Rubio LOAN Act S. 1292 (116th)	No interest capitalization (replaces interest for all loans with one-time financing fee)
Merkley Affordable Loans for Any Student Act S. 1002 (116th)	No interest capitalization while enrolled in IDR
President's FY20 Budget Proposal	Unknown
Foxx PROSPER Act H.R. 4508 (115th)	Interest capitalization if borrower exits plan or chooses to have payments recalculated to equivalent of 10-year standard payment
Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	No interest capitalization during grace and repayment periods
King-Burr Repay Act S. 1176 (115th)	Interest capitalizes when payment exceeds fixed 10-year payment amount
Warner-Rubio Dynamic Repayment Act S. 799 (115th)	No interest capitalization during grace and repayment periods

AUTOMATICALLY ENROLL DISTRESSED BORROWERS IN IDR

While IDR currently provides critical benefits to millions of borrowers, the fact that one in four Direct Loan borrowers are either delinquent or in default underscores the need to better leverage IDR to reduce financial hardship in repayment.[15]

While IDR is not the best plan for everyone, it is always better than default, which comes with harsh and often self-defeating consequences.[16]

Borrowers with federal student loans in default can see their wages or Social Security benefits garnished, their federal tax refunds offset, and they cannot access federal financial aid. Many states also suspend defaulted borrowers' occupational, driver's, or other professional licenses.

To help reduce delinquency and prevent default, TICAS recommends automatically enrolling severely distressed borrowers in IDR. Both the Affordable Loans for Any Student Act and the President's budget provide this additional feature in their streamlined IDR proposals. And while it doesn't include a proposal for a new single IDR plan, the bipartisan SIMPLE Act (H.R. 3554 and S. 1712, 115th) also establishes a process for automatically enrolling delinquent borrowers in IDR. Before being placed in IDR, the SIMPLE Act would provide borrowers with a series of targeted communications informing them of their options and encouraging them to enroll in a more affordable IDR plan. If the borrower takes no action, they would be automatically enrolled in IDR as a final measure to prevent default. Borrowers would always have the option to opt out of this process.

Conclusion

Even the best-designed loan repayment system will not solve rising college costs, nor eliminate many students' need to borrow to cover those costs. Yet, a streamlined and improved IDR plan that targets benefits to borrowers who need the most help is key to ensuring that any debt students take on to attend and complete college doesn't undermine their long-term economic prosperity. The IDR proposals we reviewed demonstrate encouraging agreement around many key design decisions that directly impact the cost of repayment, and the degree to which those costs are borne by the most vulnerable borrowers. While our review also suggests more work is needed for policymakers to come to agreement on other key details — including the share of income required for monthly payments, the required number of years in repayment, and whether debt forgiven after that period is taxed — considerable new consensus has emerged.

TICAS' proposed IDR plan would cap monthly payments at ten percent of income, provide tax-free loan forgiveness after 20 years of payments, target benefits to borrowers who need help the most, and prevent borrowers with high incomes and high debt from receiving loan forgiveness when they could have afforded to pay more. The proposals we reviewed all incorporate at least some of these key design details. As Congress works to design a streamlined IDR plan as part of a comprehensive reauthorization of the Higher Education Act, and seeks to resolve remaining differences in approach, it must take care to ensure a plan that works in the best interest of borrowers who need the most help.

ENDNOTES

[1] Calculations by TICAS using data from the U.S. Department of Education, Federal Student Aid Data Center, "Portfolio by Repayment Plan (DL, FFEL, ED-Held FFEL, ED-Owned)," http://bit.ly/323ACyx. Accessed May 8, 2019. Includes borrowers with Direct Loan and ED-held FFEL loans enrolled in REPAYE, PAYE, Income-Based, and Income-Contingent plans.

[2] Several key design details for the President's proposal are not publicly available.

[3] The ExCEL Act was introduced in the 114th Congress by Reps. Jared Polis (D-CO) and Richard Hanna (R-NY) (H.R. 3752).

[4] The President's FY20 budget proposal is silent on the partial financial hardship requirement.

[5] The LOAN Act does not specify the treatment of borrowers who are married but file taxes separately.

[6] U.S. Department of Education. "Sample Data on IDR Recertification Rates for ED-Held Loans." Shared on April 1, 2015 at the second negotiated rulemaking session. http://bit.ly/2pTKFDl. More recent Congressional statements suggests that this number may have declined, but no public data are available to confirm this, see Sen. Lamar Alexander, December 20, 2018. "Senate Passes Alexander, Whitehouse, Murray, Gardner Bill That Allows Families to Answer 22 FAFSA Questions With Just One Click." Accessed June 28, 2019. https://bit.ly/2WIfe37.

[7] TICAS. July 1, 2019. "A popular student loan fix has been stalled for years. It's time to act." http://bit.ly/2JIbECt. While not a proposal for a single streamlined IDR plan, the SIMPLE Act (H.R 3554, 115th) would also allow borrowers to automatically recertify their incomes and family size while they are enrolled in income-based repayment plans.

[8] Alexander, Lamar. February 7, 2019. "Going to College Should Not Be a Financial Albatross." *New York Times.* Accessed June 28, 2019. https://nyti.ms/2BzZaUv.

[9] Some proposals define discretionary income as amount above a specified federal poverty level, while others provide a flat income exemption amount.

[10] These targeting provisions are not specified in the LOAN Act.

[11] For example, at an AGI of $101,000, the income exclusion would be 149% of poverty; at an AGI of $102,000, the income exclusion would be 148% of poverty; and so forth until it reaches 0% at an AGI of $251,000.

[12] The Affordable Loans for Any Student Act also increases the income exclusion level from 150% of the federal poverty level to 250%.

[13] While not included in the Affordable Loans for Any Student Act, Senators Merkley and Wyden introduced a separate bill, the Income-Based Repayment Debt Forgiveness Act, which eliminates the taxation of debt forgiven in IDR (S. 1248, 116th).

[14] The President's plan is silent on the treatment of interest accrual while enrolled in IDR. Rubio's LOAN Act replaces all loan interest with a one-time financing fee.

[15] Calculations by TICAS using data from the U.S. Department of Education, Federal Student Aid Data Center, "Portfolio by Delinquency Status (DL, FFEL, ED-Held FFEL, ED-Owned)," https://bit.ly/2IDdpKW, "Direct Loan and Federal Family Education Loan Portfolio by Loan Status," https://bit.ly/1O6zgrW, and "Federal Student Aid Portfolio Summary" https://bit.ly/2hvfiOd. Accessed May 13, 2019. Figures represent Direct Loan borrowers whose loans are more than 30 days delinquent, including those whose loans have gone into default. Recipient counts are based at the loan level. As a result, recipients may be counted multiple times across varying loan statuses.

[16] TICAS. October 2018. *The Self-Defeating Consequences of Student Loan Default.* http://bit.ly/2Ja18z4.

ACKNOWLEDGEMENTS

The Debt is in the Details was written by Lindsay Ahlman, with substantial contributions from Michele Streeter.

We are grateful to our foundation partners and individual donors whose support makes TICAS' work possible. The views expressed in this paper are solely those of TICAS and do not necessarily reflect the views of our funders.

Appendix

	Department of Education's REPAYE plan	TICAS Proposal	Rubio LOAN Act S. 1292 (116th)	Merkley Affordable Loans for Any Student Act S. 1002 (116th)[1]	President's FY20 Budget Proposal	Foxx PROSPER Act H.R. 4508 (115th)	Zeldin (formerly Polis-Hanna) ExCEL Act H.R. 2580 (115th)	King-Burr Repay Act S. 1176 (115th)	Warner-Rubio Dynamic Repayment Act S. 799 (115th)
IDR Mandatory or Optional?	N/A	Optional (automatically enrolls distressed borrowers)	IDR is default (borrower can opt out)	Optional (automatically enrolls distressed borrowers)	Optional (automatically enrolls distressed borrowers)	Optional	IDR is default (borrower can opt out)	Optional	IDR is default (borrower can opt out)
Income/Debt Requirement for Entry	No	No	No	No	Unknown	No	No	No	No
Monthly Payment as a Share of Income	10% of discretionary income	10% of discretionary income	10% of income above a flat $10k exemption (indexed to inflation)	10% of discretionary income	12.5% of discretionary income	15% of discretionary income; minimum $25 monthly payment	15% of discretionary income (including non-wage income above $3k)	10% of discretionary income less than $25k plus 15% of discretionary income of at least $25k ("bend point" indexed to inflation)	10% of income (including non-wage income above $3k) above a flat $10k exemption (indexed to inflation)
Repayment Period (after which remaining balance is forgiven)	* 20 years for borrowers with undergraduate debt only * 25 years for borrowers with any graduate debt	20 years	Grants Secretary authority to determine the appropriate forgiveness timeframe	20 years	* 15 years for borrowers with undergraduate debt only * 30 years for borrowers with any graduate debt	Borrower in repayment for as long as it takes to repay the principal and interest that would be paid under a 10-year standard plan	Full life of loan (no debt forgiveness)	* 20 years if total balance at start of repayment is equal to or less than $57.5k (current max undergraduate aggregate borrowing amount) * 25 years if total balance at start of repayment exceeds $57.5k	* 20 years if total balance at start of repayment is less than the max undergraduate aggregate borrowing amount * 30 years if total balance at start of repayment is greater than or equal to undergraduate aggregate max
Eligibility Exclusions	* Open to all Direct Loan borrowers (FFEL and Perkins borrowers may consolidate to DL to participate) * Parent loans are not eligible	* All federal loan borrowers are eligible * Parent loans are not eligible	All federal loan borrowers, including those with Parent loans, are eligible	All federal loan borrowers, including those with Parent loans, are eligible	Unknown	* Only ONE loans qualify for plan; pre-existing federal loans must be consolidated into a ONE loan to participate * Parent loans are not eligible	* Only IDEA loans qualify for plan; pre existing federal loans must be consolidated into an IDEA loan to participate in IDEA repayment * Parent loans not eligible	* Only new borrowers * Parent loans are not eligible	* Only IDEA loans qualify for plan; pre-existing federal loans must be consolidated into an IDEA loan to participate in IDEA repayment * Parent loans not eligible
Interest Capitalization While Enrolled in IDR	Interest can capitalize after borrowers exit a deferment or forbearance	No interest capitalization while enrolled in IDR	No interest capitalization (replaces interest for all loans with one-time financing fee)	No interest capitalization while enrolled in IDR	Unknown	Interest capitalization if borrower exits plan or chooses to have payments recalculated to equivalent of 10-year standard payment	No interest capitalization during grace and repayment periods	Interest capitalizes when payment exceeds fixed 10-year payment amount	No interest capitalization during grace and repayment periods
Treatment of Interest Accrual While Enrolled in IDR	* Subsizided loans: Unpaid accrued interest is 100% covered for up to the first 3 years, then 50% covered afterwards * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods	* Subsidized loans: Unpaid accrued interest is 100% covered for up to the first 3 years, then 50% covered afterwards * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods	Replaces interest for all loans with one-time financing fee (regardless of repayment plan)	* Subsidized loans: Unpaid accrued interest is 100% covered for up to the first 3 years, then 50% covered afterward * Unsubsidized loans: Unpaid accrued interest is 50% covered during all periods	Unknown	Caps interest payments so that borrowers would be required to repay the equivalent of the principal and interest amount they would have paid under a standard 10-year plan (in addition to interest accrued during any deferments)	Total interest accrued never exceeds 50% of the total amount of the loan	Unpaid accrued interest is 100% covered for all DL for up to the first 3 years	No subsidy
Targeting	* Removes standard payment cap * Addresses married filing separately	* Removes standard payment cap * Addresses married filing separately * Phases out income exclusion for AGIs above $100k	Not specified in bill	* Removes standard payment cap * Addresses married filing separately * Expands income exclusion threshold to 250% of FPL, and phases out exclusion for AGIs above $120k	* Removes standard payment cap * Addresses married filing separately	* Removes standard payment cap * Addresses married filing separately	* Removes standard payment cap * Addresses married filing separately	* Removes standard payment cap * Addresses married filing separately	* Removes standard payment cap * Does not address married filing separately
Annual Income Recertification (requirements and consequences for missing deadline)	* Borrower must provide verification of income * If borrower misses annual deadline, borrower moved to alternative repayment plan with remaining debt reamortized, and interest capitalizes. Borrower must recertify to re-enter REPAYE and may be required to make catch-up payments in REPAYE.	Automated via data sharing between ED and IRS	* Automated via data sharing between ED and IRS * Failure to file required tax return may lead to loans being put into default	Automated via data sharing between ED and IRS	Automated via data sharing between ED and IRS	Borrower must provide verification of income	* Accomplished via paycheck withholding, which borrowers can opt out of, and establishes annual under- or over-payment reconciliation process leveraging data sharing between ED and IRS * Failure to file required tax return may lead to loans being put into default	*Borrower must provide verification of income * If borrower fails to submit verification, payments do not count toward forgiveness in IDR or PSLF	* Accomplished via paycheck withholding, which borrowers can opt out of, and establishes annual under- or over-payment reconciliation process leveraging data sharing between ED and IRS * Failure to file required tax return may lead to loans being put into default
Debt Forgiven in IDR Plan Treated as Taxable Income?	Yes	No	Yes	Yes[2]	Unknown	Yes	N/A (no debt forgiveness)	Yes	No

Notes:
[1] The Affordable Loans for Any Student Act was also introduced in the House by Representative DeLauro (H.R. 2065, 116th). The single IDR plan proposed in the Aim Higher Act (H.R. 6543, 115th) reflects the plan proposed in the Affordable Loans for Any Student Act.
[2] Senator Merkley introduced a separate bill, the Income-Based Repayment Debt Forgiveness Act (S. 1248, 116th), that removes the taxation of debt forgiven in IDR.

Note: This table focuses specially on the design of a proposed income-driven repayment plan. Some of these bills also make other changes to the loan program, including the creation of a new single loan program, inclusive of different interest calculations and changed loan limits, as well as the availability of other benefits like PSLF.