# Student Loan Repayment in HR1

## Big Changes for Current and Future Borrowers

September 8, 2025

Pew

# What’s In and What’s Out?

## IN

- New Phased Standard Repayment Plan
- New Income Driven Repayment Plan – Repayment Assistance Plan (RAP)
- Revised Income Based Repayment (IBR) Plan
- Loan Forbearance Limits

## OUT

- Current Standard Repayment Plan
- Income Contingent Repayment (ICR) Plans
    - Pay as You Earn
    - Saving on a Valuable Education
    - Income Contingent Repayment
- Economic Hardship and Unemployment Deferments

# Standard Plan: Current v. New

## Current

- Borrower payment based on payoff of loan in 10 years.

## New

- Borrower payment based on payoff of loan over time, but varies by loan amount:
  - Less than $25,000: 10 years
  - $25,000 - $50,000:  15 years
  - $50,000 - $100,000: 20 years
  - $100,000 or more:  25 years

## Repayment Assistance Plan

- Minimum $10 payment each month, based on borrower’s Annual Gross Income.
- $50 off monthly payment per dependent.
- Forgiveness of any remaining balance after 360 months (30 years) of qualifying payments.
- Eliminates negative amortization – borrowers whose payments do not cover their full interest payment will not see their balance increase.
- Provides ‘principle matching payment’ of up to $50 per month to reduce borrower balances.

# Borrowers with Loans Taken Prior to June 2026

- Can choose between Standard, Income Based Repayment, or the Repayment Assistance Plan.
- If the borrower is enrolled in the Income Contingent Repayment plan, Pay as You Earn plan, or Saving on a Valuable Education plan, they must transition to a repayment plan preserved by HR1 by July 1, 2028. If no choice is made, they will be automatically opted into the Repayment Assistance Plan.

# Borrowers with Loans Taken On or After June 2026

- Can choose between the new Standard Plan or Repayment Assistance Plan.

## What’s Happening Now

- The Department of Education is holding a Negotiated Rulemaking to set regulations around the new Standard and Repayment Assistance Plans.
- The department announced in July that it would begin charging interest on student loans enrolled in the Saving on a Valuable Education Plan and currently in forbearance as of August 1. This will likely prompt some borrowers to apply for other income driven repayment plans.
- There is currently a backlog of applications for income driven repayment plans, and many borrowers have been advised to reapply.

## Concerns

- How will the Department of Education communicate with current borrowers about the changes to the loan system?
- Does the system – the department and contracted servicers – have the bandwidth to accommodate the volume of borrower assistance likely required during the transition?
- Who will borrowers turn to for help if they do not trust that system?
- Will student loan default increase, decrease or stay the same?