

STUDENT LOANS

Biden Administration Launches New Student Loan Repayment Plan

Federal student loan borrowers can file immediately for the new SAVE program.



(Image credit: Getty Images)

The Biden administration has launched a beta version of a student loan repayment plan for any college student who took out a federal student loan.

The new plan, Savings on a Valuable Education (SAVE), replaces the administration's Revised Pay As You Earn (REPAYE) program. REPAYE participants will automatically qualify for SAVE, the Department of Education (DOE) said.

SAVE is an income-driven replacement plan that calculates a student loan borrower's monthly payment number, using the borrower's monthly income and family size as key payment determiners.

Federal student loan borrowers interested in the SAVE plan can file immediately and receive an email confirmation once the application is submitted.

The application process is convenient, says Robert Farrington, founder and CEO of The College Investor in San Diego. "Borrowers also don't need to re-apply each year because the [StudentAid.gov] website is able to access tax returns to see which plans and benefits they qualify for under the plan."

The plan includes borrowers with direct subsidized loans, unsubsidized loans, consolidated loans, and PLUS graduate loans. Similar to the REPAYE program, the SAVE has a payment lid

based on the borrower's discretionary monthly income. While REPAYE had a 10% cap on discretionary income, that number will slide to 5% beginning in the summer of 2024.

The SAVE plan boosts the student loan repayment income exemption from 150% to 225% of the poverty line, the DOE said.

"That means you won't owe loan payments if you are a single borrower earning \$32,800 or less or a family of four earning \$67,500 or less," the agency said. "Borrowers earning more than these amounts will save at least \$1,000 per year, compared to the current income-driven repayment plans."

While how much money a borrower saves depends on annual income and family situation, a borrower with no dependents and a \$38,000 annual income will save \$91 per month under SAVE, according to the DOE.

Student loans account for a lot of debt

In addition, the loan balance amounts of borrowers who make a monthly payment will not rise because of unpaid interest. For example, if a borrower makes a \$30 payment, and \$50 in interest accumulates, the difference between the \$50 interest and the \$30 payment will not be added to the borrower's loan balance, DOE said.

The plan also eliminates spousal income for married student loan borrowers who file separately, and so there is no longer a requirement for a spouse to co-sign an income-driven replacement plan.

The SAVE plan rolls out at a time of high anxiety for student loan borrowers.

"According to White House estimates, more than 45 million borrowers across the country are borrowers shouldering more than \$1 trillion in collective federal student loan debt," says Jonathan McCollum, chair of federal government relations for Davidoff Hutcher & Citron in Washington, D.C. "Educational loans account for 9.5% of the nation's consumer debt, second only to mortgages."

The SAVE plan offers some relief for borrowers after the Supreme Court ruling that ended President Joe Biden's original student loan forgiveness plan.

"SAVE decreases the size of required payments by half – 5% of monthly discretionary income, down from 10%," McCollum says. "Borrowers who earn less than 225% of the federal poverty level will no longer have to make monthly payments, and balances will no longer increase on account of unpaid interest, as long as monthly payments are made."

Borrowers with original loan balances of \$12,000 or less will also see their balances forgiven in half the time, he said, adding that this can amount to 10 years instead of 20.

NYSUT NOTE: In light of recent student loan announcements, now is the time to review your student loan repayment plan. As a NYSUT member, you can take advantage of the NYSUT Member Benefits Corporation-endorsed [Cambridge Credit Counseling program](#). This program gives members a chance to connect at no charge with a nationally certified

counselor to talk through their current plan and determine which option is best for repayment and debt management. Solidify your loan repayment plans today by visiting the [member benefits website](#).



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