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The Department of Education's Notice of Proposed Rulemaking on Improving Income-Driven Repayment for the Direct Loan Program: Frequently Asked Questions

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SUMMARY

On January 11, 2023, the Department of Education (ED) published a Notice of Proposed Rulemaking (NPRM) to make a number of substantial amendments to the federal student loan income-driven repayment (IDR) plans.

IDR plans are a subset of student loan repayment plans that cap a borrower's monthly payment at a percentage of their discretionary income, which is defined as a portion of a borrower's adjusted gross income (AGI) that exceeds a specified multiple of the federal poverty line (FPL) for the borrower's family size. A borrower may be in negative amortization under an IDR plan, which means that their monthly payment can be less than the interest that accrues in a given month, and the accumulation of unpaid interest may lead to an increase in their loan balance. Any loan balance that remains outstanding after the borrower has made qualifying payments according to an IDR plan for a maximum repayment period is to be forgiven. Over the last nearly 30 years, Congress and ED have created the following existing IDR plans: the Income-Contingent Repayment (ICR) plan, two Income-Based Repayment (IBR) plans (one of which is available to individuals who qualify as a new borrower on or after July 1, 2014; and another of which is available to individuals who do not qualify as a new borrower as of that date), the Pay As You Earn (PAYE) repayment plan, and the Revised Pay As You Earn (REPAYE) repayment plan.

ED's proposed rules would modify the REPAYE repayment plan. These changes would result in lower monthly payments through two means. The first, which is applicable to all borrowers, is that a greater share of a borrower's AGI would be excluded from the definition of discretionary income (i.e., income that exceeds 225% of the FPL, applicable to the borrower's family size, versus 150% of the FPL under current regulation). The second, which is applicable to borrowers with any undergraduate loans, is that a smaller percentage of discretionary income would be used in the monthly payment calculation (i.e., 5%-10% as opposed to 10% under current regulation). Additionally, under the proposed rules, for borrowers in negative amortization, any interest that is not covered by a calculated monthly payment would not be charged to the borrower. The proposed rules would also shorten the maximum repayment period to as few as 10 years for borrowers with low original loan balances.

The proposed rules would also make changes that would apply to all IDR plans. They would include permitting the borrower to include additional periods of deferment and forbearance as part of the maximum repayment period, and thus, potentially shortening a borrower's time to forgiveness. Similarly, under the proposed rules, a borrower who consolidates multiple loans into a Direct Consolidation Loan could receive credit toward the maximum repayment period for payments made on the individual loans prior to the consolidation. The proposed rules would also streamline the number of IDR plans available to borrowers.

The proposed rules would automatically enroll some delinquent borrowers into an IDR plan in an attempt to help these borrowers avoid defaulting on their loans, and also permit defaulted borrowers to repay their loans according to one of the IBR plans.

ED estimates the cost of implementing the proposed rules to be approximately $76.8 billion for loans made through FY2022 and $61.1 billion for loans made from FY2023 to FY2032, for a total of $137.9 billion.

This report discusses the most frequently asked questions related to the proposed rules in the following areas: background on IDR plans; changes specific to the REPAYE repayment plan such as to borrower eligibility, monthly payments, interest benefits, and the maximum repayment period; changes applicable to all IDR plans; other provisions related to delinquent and defaulted borrowers; and the estimated cost of the proposed rules.

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Introduction

On January 11, 2023, the Department of Education (ED) published a Notice of Proposed Rulemaking (NPRM) to amend rules governing income-driven repayment (IDR) plans.[1] Some of the proposed changes focus on modifying the Revised Pay As You Earn (REPAYE) repayment plan (hereinafter, "modified version of the REPAYE repayment plan") with the intention of expanding its benefits to borrowers. Additionally, the proposed rules would make changes to permit borrowers to count additional periods of deferment and forbearance and other periods in repayment as qualifying for the purpose of satisfying the maximum repayment period under any IDR plan. The proposed rules would also streamline the number of IDR plans available to future borrowers.

This report addresses several frequently asked questions regarding these proposed rules.

Background on Income-Driven Repayment Plans

What are Income-Driven Repayment (IDR) plans?

Upon obtaining a federal student loan, a borrower assumes a contractual obligation to repay the debt over a period of time. Numerous federal student loan repayment plans, each with differing monthly payment structures and maximum repayment periods, are available to borrowers. IDR plans are a subset of student loan repayment plans.[2]

Multiple types of IDR plans are available to borrowers. While the terms of each plan vary, they all have an overarching set of key features. The IDR plans cap a borrower's monthly payments at a specified percentage (e.g., 10%, 15%) of their *discretionary income*. Discretionary income is the portion of income that is not protected from consideration for the purposes of loan repayment, and is defined as the amount by which a borrower's adjusted gross income (AGI) exceeds a specified multiple of the federal poverty level (FPL) applicable to the borrower's family size. Because monthly payments are based on a portion of a borrower's income, they may be as low as $0 per month and *negative amortization* is permitted. Negative amortization occurs when required monthly payments are less than the amount of interest that accrues. Negative amortization may lead to an increase in a borrower's loan balance due to the accumulation of unpaid accrued interest. Finally, under the IDR plans, any loan balance that remains outstanding after a specified maximum repayment period (e.g., 20 or 25 years) is to be forgiven.[3]

[1] U.S. Department of Education, "Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program," 88 *Federal Register* 1894-1930, January 11, 2023, at https://www.govinfo.gov/content/pkg/FR-2023-01-11/pdf/2022-28605.pdf.

[2] For information about the student loan repayment plans available to borrowers, including the terms of the various IDR plans, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[3] Student loan debt that is discharged for almost any reason, including pursuant to an IDR plan, during the period after December 31, 2020, and before January 1, 2026, may be excluded from an individual's gross income and, therefore, exempted from consideration in determining federal income tax liability.

What is the history of IDR plans?

Since its establishment, the Direct Loan program[4] (the primary federal student loan program) has included a requirement that an IDR plan be available to eligible borrowers. Specifically, in 1993, the Student Loan Reform Act (SLRA; Title IV-A of the Omnibus Budget Reconciliation Act of 1993; P.L. 103-66) authorized the Direct Loan program and specified under HEA Sections 455(d)(1)(D) and 455(e) that the Secretary of Education (the Secretary) was to offer a variety of loan repayment plans, including an income-contingent repayment plan "with varying annual repayment amounts based on the income of the borrower, paid over an extended period of time prescribed by the Secretary, not to exceed 25 years."[5] The statutory provisions also specified that the Secretary could promulgate regulations to limit the amount of interest that could be capitalized on a borrower's loan under the plan and the timing of the capitalization.[6] The authorization of an income-contingent repayment plan, along with several other loan repayment plan options, was intended to provide borrowers with a variety of repayment options so that borrowers would have flexibility in managing their student loan debt, to discourage defaults, and to encourage students to seek postsecondary education, as it was presumed loan repayment would become "less burdensome."[7]

In response to this new authorization, ED promulgated a series of regulations[8] to design and hone an income-contingent repayment plan that would address several considerations. Deliberations in designing the plan included ED's desire to develop a plan that was as attractive as possible to borrowers in terms of repayment flexibility, ED's desire to keep any proposed plan cost neutral,

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[4] Under the Direct Loan program, the federal government uses federal capital to make loans to individuals. Once made, the loans are assets of the federal government, and the government assumes the risk of losses that may occur because of borrower default, loan discharge, or loan forgiveness. ED's Office of Federal Student Aid (FSA) is the primary entity tasked with administering the program. Working with FSA, institutions of higher education originate loans to borrowers, and FSA contractors service and collect on program loans.

[5] Prior to this, other forms on income-driven repayment plans had been authorized under other federal student loan programs. For example, in 1992, under the Higher Education Amendments of 1992 (P.L. 102-325), the Secretary of Education (the Secretary) was authorized to establish by regulations the terms of an income-contingent repayment plan for loans made under the Federal Family Education Loan (FFEL) program, under which private lenders made loans to borrowers and the federal government guaranteed the loans against loss associated with default or borrower death or disability. The FFEL statutory text specified that borrowers' payments were to be based on their income; any loan balance that remained outstanding "not later than 25 years" after the borrower began repaying according to the plan was to be forgiven; and that the Secretary was permitted to provide for the potential collection of amounts in excess of the principal and interest owed on the original loan. In addition, the statutory text provided that the regulations specifying the plan would not be effective unless the Secretary published findings that the use of the repayment plan, along with other collection mechanisms, would "result in an increase in the net amount the Government [would] collect." The next year, before ED could implement such a plan, the statutory text was amended to require ED to offer at least 10% of defaulted FFEL borrowers whose loans were assigned to it to repay those loans according to an income-contingent repayment plan with terms and conditions the same as, or similar to, the income-contingent repayment plan established for the Direct Loan program. (P.L. 103-66, §4043) This language remains substantially the same today.

[6] Capitalization occurs when accumulated unpaid interest is added to the principal balance of a loan.

[7] U.S. Congress, House Committee on the Budget, *Omnibus Budget Reconciliation Act of 1993*, report to accompany H.R. 2264, 103rd Cong., 1st sess., May 25, 1993, H.Rept. 103-111 (Washington, DC: GPO, 1993), pp. 107, 113.

[8] On July 1, 1994, ED promulgated regulations for the income-contingent repayment plan for the first academic year (AY) of the Direct Loan program (July 1, 1994-June 30, 1995). (U.S. Department of Education, "William D. Ford Federal Direct Loan Program," 59 *Federal Register* 34278, July 1, 1994.) On December 1, 1994, following negotiated rulemaking, ED promulgated regulations for the income-contingent repayment plan for AY1995-1996 (U.S. Department of Education, "William D. Ford Federal Direct Loan Program," 59 *Federal Register* 61663, December 1, 1994.) On December 1, 1995, ED promulgated regulations for the income-contingent repayment plan for AY1996-1997 and beyond. (U.S. Department of Education, "William D. Ford Federal Direct Loan Program," 60 *Federal Register* 61820, December 1, 1995.)

concerns of how to sufficiently target plan benefits,[9] and concerns of whether monthly payment amounts would be sufficient to ensure borrowers would not pay excessive amounts of interest over the life of the loan.[10] Ultimately, in 1995, ED promulgated regulations for an income-contingent repayment (ICR) plan that have changed only minimally since first being established. Under the ICR plan, a borrower's monthly payment would equal the lesser of (1) an amount calculated according to a 12-year amortization schedule, multiplied by an income percentage factor corresponding to a borrower's AGI and tax filing status, or (2) one-twelfth of 20% of the borrower's discretionary income (defined as the amount by which the borrower's AGI exceeded 100% of the FPL applicable to the borrower's family size).[11]

About 12 years later in 2007, under the College Cost Reduction and Access Act (CCRAA; P.L. 110-84), Congress authorized another type of IDR plan. Rather than updating the statutory language that authorizes an ICR plan, however, Congress included an entirely separate section within the HEA to authorize the first income-based repayment (IBR) plan (hereinafter "Original IBR"). HEA Section 493C specifies that under the IBR plan, a borrower with a *partial financial hardship* (PFH)[12] may make monthly payments generally equal to one-twelfth of 15% of their discretionary income (defined as the amount by which the borrower's AGI exceeds 150% of the FPL applicable to their family size), and the maximum repayment period is 25 years. In addition, the statutory language provided additional specificity that the ICR statutory language did not, addressing features such as interest subsidies available in certain instances.[13] Three months after the enactment of the CCRAA, technical amendments were made to the newly authorized IBR plan to specify that for purposes of calculating monthly payments for married borrowers whose federal income tax filing status is married filing separately, only the borrower's AGI and student loan debt would be used.[14]

Three years later in 2010, under the SAFRA Act (Title II of the Health Care and Education Reconciliation Act of 2010, P.L. 111-152), Congress amended HEA Section 493C to authorize a second variety of the IBR plan, which was to be available to individuals who became new borrowers[15] of loans made through the Direct Loan program on or after July 1, 2014, and who had

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[9] For example, in December 1995, ED updated the income-contingent repayment plan to address concerns that the previous version of the plan did not ensure that monthly payments increased sufficiently as a borrower's student loan debt increased. U.S. Department of Education, "William D. Ford Federal Direct Loan Program," 60 *Federal Register* 48848, September 20, 1995.

[10] See, for example, U.S. Department of Education, "Federal Direct Student Loan Program," 59 *Federal Register* 42649, August 18, 1994 and CRS Report CRS-95-110-EPW, *The Federal Direct Student Loan Program* (archived; available upon request to congressional requestors).

[11] U.S. Department of Education, "William D. Ford Federal Direct Loan Program," 60 *Federal Register* 61820, December 1, 1995.

[12] In general, a partial financial hardship is the circumstance in which a borrower's annual amount due on all of their qualifying federal student loans as calculated under the standard 10-year repayment plan is greater than 15% of their discretionary income. The precise method for calculating whether a borrower has a PFH varies based on whether they are married or unmarried and, for married borrowers, whether their spouses have eligible student loan debt.

[13] The House and Senate reports to accompany the College Cost Reduction and Access Act provide little detail on why Congress chose to authorize the Original IBR plan, but some outside commentators indicate that in the mid-2000s, observers were concerned that student loan debt burden was increasing and that the ICR plan did not sufficiently protect borrowers from unaffordable payments. See, for example, Sandy Baum and Jason Delisle, *Income-Driven Repayment of Student Loans: Logic, History, and the Need for Reform*, Urban Institute, February 2022, p. 7.

[14] See P.L. 110-153.

[15] For purposes of this plan, a new borrower is defined as an individual who has no outstanding balance on a Direct Loan program or FFEL program loan on July 1, 2014, or who has no outstanding balance on such a loan on the date they obtain a loan after July 1, 2014. 34 C.F.R. §685.221(a)(4).

a PFH.[16] (Hereinafter, this version is referred to as the "IBR plan for post-July 1, 2014, new borrowers.") The terms of the plan are substantially similar to those of the Original IBR plan, except that a borrower's monthly payments generally equal one-twelfth of 10% of their discretionary income, and the maximum repayment period is 20 years.

In 2012, under the income-contingent repayment plan statutory authority in HEA Section 455, ED promulgated a new type of income-contingent repayment plan, the Pay As You Earn (PAYE) repayment plan. The plan is substantially similar to the IBR plan for post-July 1, 2014, new borrowers and reflects an effort by ED to make the terms of the IBR plan for post-July 1, 2014, new borrowers available to a larger cohort of borrowers[17] with a PFH than HEA Section 493C specified.[18]

In 2015, ED again promulgated regulations for a third type of income-contingent repayment plan under HEA Section 455, known as the Revised Pay As You Earn (REPAYE) repayment plan, to permit borrowers without a PFH to cap monthly payments at one-twelfth of 10% of their discretionary income.[19] Under the plan, a borrower's monthly payments equal one-twelfth of 10% of their discretionary income, and the maximum repayment period is 20 years for borrowers with only undergraduate debt and 25 years for borrowers with any graduate debt. The REPAYE plan also provides an interest subsidy to eligible borrowers. Specifically, similar to the two IBR plans and the PAYE repayment plan, in instances where a borrower's required monthly payment amount is insufficient to pay all of the monthly interest that accrued (i.e., negative amortization) on the borrower's Subsidized Loans or on the subsidized component of a Direct Consolidation Loan, 100% of the unpaid accrued interest is not charged for a period of up to three years from the date the borrower first began repaying according to the plan.[20] Unlike the two IBR plans and the PAYE repayment plan, under the REPAYE plan an additional interest subsidy is provided to borrowers. After the three-year period for Subsidized Loans (and the subsidized component of a Direct Consolidation loan) and during all periods of negative amortization for Unsubsidized Loans, PLUS Loans to graduate or professional students, and the unsubsidized component of Direct Consolidation Loans, the borrower is not charged 50% of the portion of the unpaid accrued interest.

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[16] For purposes of this new IBR plan, a partial financial hardship is the circumstance in which a borrower's annual amount due on all of their qualifying federal student loans as calculated under the standard 10-year repayment plan is greater than 10% of their discretionary income. The precise method for calculating whether a borrower has a PFH varies based on whether they are married or unmarried and, for married borrowers, whether their spouses have eligible student loan debt.

[17] Specifically a borrower is eligible to enroll in PAYE if, in addition to having a PFH, (1) they had no outstanding balance on a Direct Loan or FFEL program loan as of October 1, 2007, or have no outstanding balance on such a loan on the date they receive a new loan after October 1, 2007, and (2) receive a disbursement of a Direct Subsidized, Unsubsidized, or PLUS Loan to graduate or professional students on or after October 1, 2011, or receive a Direct Consolidation Loan based on an application received on or after October 1, 2011 (34 C.F.R. §685.209(a)(1)(iii)(A)). As part of the Final Rule for the PAYE plan, ED estimated that between 2012 and 2021, about 1.67 million borrowers ineligible for the IBR plan for post-July 1, 2014, new borrowers would choose to enroll in the PAYE repayment plan. U.S. Department of Education, "Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program," 77 *Federal Register* 66120, November 1, 2012.

[18] U.S. Department of Education, "Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program," 77 *Federal Register* 66088, November 1, 2012.

[19] U.S. Department of Education, "Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program," 80 *Federal Register* 67204, October 30, 2015.

[20] Periods during which the borrower receives an interest subsidy during an economic hardship deferment (during which an interest subsidy is provided on Direct Subsidized Loans and the subsidized component of a Direct Consolidation Loan) are excluded from the consecutive three-year period (34 C.F.R. §685.209(a)(2)(iii)).

On January 11, 2023, ED issued the NPRM to significantly modify the REPAYE repayment plan to "expand the benefits of the REPAYE plan, including providing more affordable monthly payments ... reducing the amount of time before reaching forgiveness for borrowers with low balances, and not charging any remaining accrued interest each month after applying a borrower's payment."[21]

What IDR plans are currently available to borrowers?

Five types of IDR plans are available to federal student loan borrowers, each with varying terms, conditions, and borrower eligibility requirements. **Table 1** depicts the IDR plans currently available to Direct Loan borrowers, whether they are income-contingent or income-based repayment plans, and their statutory authority.

Table 1. Income-Driven Repayment Plans Available to Direct Loan Borrowers

Repayment Plan	Statutory Authority
Income-Contingent Repayment Plans	
Income-Contingent Repayment (ICR) plan	HEA §§455(d)(1)(D), 455(e)
Pay As You Earn (PAYE) repayment plan	HEA §§455(d)(1)(D), 455(e)
Revised Pay As You Earn (REPAYE) repayment plan	HEA §§455(d)(1)(D), 455(e)
Income-Based Repayment Plans	
Income-Based Repayment (IBR) plan (Original IBR)[a]	HEA §493C
IBR plan for post-July 1, 2014, new borrowers[a]	HEA §493C

Source: HEA §§455(d)(1)(D), 455(e), 493C; 34 C.F.R. §§685.208, 685.209 & 685.221

a. ED describes the Original IBR plan and the IBR plan for post-July 1, 2014, new borrowers as a single IBR plan.

Changes Specific to the REPAYE Repayment Plan

Who would be eligible for the modified version of the REPAYE repayment plan under the proposed rules?

Eligibility for the modified version of the REPAYE repayment plan would be the same as for the current REPAYE repayment plan. This means that, with a few exceptions, all types of Direct Loan program loans would be eligible to be repaid using the modified version of the REPAYE repayment plan. The only exceptions would be PLUS Loans made to parents on behalf of dependent undergraduate students or Direct Consolidation Loans that repaid a parent PLUS Loan.[22]

[21] U.S. Department of Education, "Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program," 88 *Federal Register* 1894-1895, January 11, 2023.

[22] The ICR plan may be used to repay a Direct Consolidation Loan disbursed after July 1, 2006, that repaid a parent PLUS Loan.

How would the proposed rules affect a borrower's monthly payments?

A fundamental characteristic of the IDR plans is that some portion of a borrower's income is protected from consideration as being available for the repayment of student loan debt. The income that exceeds that protected amount is referred to as *discretionary income* and a portion of that amount is considered as available to be applied toward student loan repayment.

Under current REPAYE regulations, monthly payments are equal to one-twelfth of 10% of a borrower's annual discretionary income. Income up to 150% of the FPL is protected income. *Discretionary income* is defined as the portion of a borrower's AGI that exceeds 150% of the FPL applicable to the borrower's family size, or $0, whichever is greater.[23]

A borrower's monthly payment under the proposed amendments to REPAYE would be affected in potentially two ways. First, the portion of a borrower's income considered as protected income would be increased to 225% of the FPL. This would result in a smaller portion remaining for consideration as discretionary income and would result in lower monthly payments for all borrowers determined to have discretionary income.

Second, the percentage of discretionary income used to calculate monthly payments would, in most cases, be lowered. The one exception would be individuals with loans exclusively for graduate/professional education. Specifically, borrowers who have Direct Loans exclusively for undergraduate education would pay 5% of their annual discretionary income for monthly payments. Borrowers who have Direct Loans exclusively for graduate education would pay 10% of their annual discretionary income for monthly payments, the same as what they would pay under the current REPAYE repayment plan. Borrowers with Direct Loans for both undergraduate and graduate education would pay for monthly payments a percentage of discretionary income equal to the weighted average of 5% and 10%, as applicable, based on the original principal balances of the respective loans.

For example, a borrower with an AGI of $50,000 and a household size of one who has Direct Loans exclusively from undergraduate education would have a monthly payment of $81 under the proposed rules. If the borrower had loans exclusively from graduate education, the monthly payment amount would be $162. If the borrower instead had equal amounts of Direct Loan debt from undergraduate and graduate education, the monthly payment amount would be $121 under the proposed rules. Under current rules, monthly payment amounts under each of these scenarios would be $247.[24]

Between the modified definition of discretionary income and the lower percentage of discretionary income used for monthly payments, monthly payments would be lower under the modified version of REPAYE plan as compared to under any existing IDR plan for all borrowers, with the exception of those who already qualify for a $0 monthly payment under an existing plan.

Additionally, the calculation of monthly payments for certain married borrowers would be different under the proposed rules. (See "How would married borrowers be treated?" below.)

[23] 34 C.F.R. §685.209.

[24] To be consistent with the analysis in the NPRM, these calculations are based on the 2022 FPL for a household size of one of $13,590.

How would married borrowers be treated?

Under current REPAYE rules, the AGI of borrowers who are married filing separately includes the incomes of both the borrower and the spouse, unless the borrower certifies that they are separated from or unable to access the spouse's income.[25] In addition, a borrower's spouse is included in the borrower's family size for the purposes of determining their FPL, unless the borrower certifies that they are separated or unable to access the spouse's income.

If a married borrower and the borrower's spouse each have eligible loans and their federal income tax status is married filing jointly, the borrower's family size would include their spouse, and the borrower's monthly payment amount would be calculated by determining each individual's percentage of the combined loan debt and multiplying the borrower's monthly payment amount by this percentage.

While the proposed rules would effectively treat couples who are married filing jointly the same as under the current version of the REPAYE repayment plan, the treatment of couples who are married filing separately would change under the modified version of the REPAYE repayment plan. Under the modified version of the REPAYE repayment plan, for purposes of determining the discretionary income of a borrower whose federal income tax status is married filing separately, the income of the borrower's spouse would be excluded from the borrower's AGI. In this circumstance, the spouse would also be excluded from the borrower's family size for the purpose of determining their FPL.[26]

The proposed changes for married borrowers filing separately, in combination with the exclusion of a larger share of income from the definition of discretionary income, may result in lower monthly payments for couples with two incomes who each have outstanding balances in Direct Loans. Consider a married couple with no children and in which each spouse has an AGI of $40,000. Each spouse has $10,000 in Direct Loans exclusively for undergraduate education.

If the couple's federal income tax status is married filing jointly, then for the purpose of calculating the monthly payment under the modified REPAYE repayment plan, the AGI used would be $80,000 and the family size two. Using the FPL for a family size of two, the total monthly payment amount for the couple would be $162 and for each spouse $81.

If the couple's federal income tax status is married filing separately, then for the purpose of calculating the monthly payment under the modified REPAYE repayment plan, the AGI used for each spouse would be $40,000 and the family size one. Using the FPL for a family size of one, the monthly payment for each spouse would be $39 and the total monthly payment amount for the couple would be $79.[27]

Would any borrowers repay more over the lifetime of the loan?

While no borrowers would have a higher monthly payment under the modified version of the REPAYE repayment plan, it is possible that some borrowers would pay more overall over the lifetime of the loan as compared to under existing IDR plans. For many borrowers, lower monthly payments would mean that the loan would take longer to retire, which could incur additional

[25] Under PAYE and the two versions of IBR, the AGI of married borrowers filing separately includes only the borrower's income.

[26] This treatment would also apply to married borrowers who are unable to reasonably access their spouse's income.

[27] Twice the monthly payment of $39.26 (rounds down to $39) is equal to $78.52 (rounds up to $79).

interest cost for borrowers.[28] Such would be the case for borrowers who repay their loans in full (i.e., those who do not reach the maximum repayment period and receive forgiveness), as lower monthly payment amounts would extend the repayment period, incurring additional interest charges for such borrowers. On the other hand, many borrowers, particularly borrowers with low incomes or low loan amounts, would likely pay less over the lifetime of the loan under the proposed rules due to lower monthly payments and the availability of loan forgiveness after a certain number of payments.

How would interest that accrues on loans while in school and the grace period be treated?

Borrowers of Subsidized Loans and Unsubsidized Loans do not enter into repayment on their loans while they are in school and during a six-month grace period following their graduation, cessation of enrollment, or enrollment below half-time status. Borrowers of PLUS Loans enter into repayment immediately upon disbursement of the loan, but while enrolled in postsecondary education on at least a half-time basis, they qualify for and typically receive an in-school deferment. During this time, they are not required to make payments on their loans and for a six-month grace period following their graduation, cessation of enrollment, or enrollment below half-time. For Subsidized Loans, no interest accrues during this in-school and grace-period. For Unsubsidized Loans and PLUS Loans, however, interest accrues beginning from when the loan was first disbursed and continues while the borrower is in school and during the grace period. Through June 30, 2023, the in-school and grace-period interest that accrued on Unsubsidized and PLUS Loans is capitalized (added into) the outstanding principal balance for such loans once the borrower begins repayment, resulting in a larger principal balance than what was initially borrowed.

Effective July 1, 2023, while the borrower remains responsible for repaying in-school and grace-period interest for their Unsubsidized and PLUS Loans, it will no longer be capitalized into their principal balance.[29] This means that the borrower will start repayment with a balance of unpaid in-school and grace-period interest for these loans that must be repaid first before the borrower can make payments toward loan principal.

The proposed rules do not directly address how in-school and grace-period interest would be treated, and the language is not clear on whether the borrower would still be responsible for repaying this balance of unpaid interest under the modified version of the REPAYE repayment plan.

How would unpaid accrued interest be treated?

All of the IDR plans allow for *negative amortization,* which occurs if a borrower's monthly payment is not large enough to cover the interest that accrues during the month. The amount of interest that remains after the borrower's monthly payment is applied is referred to as *unpaid*

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28 Because unpaid accrued interest would not be charged and loan forgiveness would be available to borrowers after making a certain number of payments, borrowers would not always bear the full cost of the additional interest.

29 On November 1, 2022, ED published a final rule that eliminates interest capitalization in all instances that are not statutorily specified, including the capitalization of in-school and grace-period interest upon the borrower entering into repayment, effective July 1, 2023. U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2022.

accrued interest. Depending on the IDR plan, the borrower may still be responsible for repaying all or some portion of that unpaid accrued interest, and it is accounted for as part of an outstanding balance of unpaid interest. That balance of unpaid interest must be repaid first before monthly payments may be applied to the loan principal.[30]

The current REPAYE rules provide an interest subsidy for some portion of any unpaid accrued interest that remains after the borrower's monthly payment is applied. Thus, depending on loan type, all or some portion of the remaining unpaid accrued interest is not charged to the borrower.[31] For qualifying Direct Subsidized Loans, the plan includes a 100% interest subsidy on any unpaid accrued interest for the first three years of the repayment period, after which a 50% interest subsidy is provided. For qualifying Direct Unsubsidized Loans and PLUS Loans, a 50% interest subsidy on any unpaid accrued interest is provided throughout the repayment period.

Under the proposed rule, after applying a borrower's monthly payment, any unpaid accrued interest that remains would not be charged for all Direct Loan types for the entire duration of repayment under the modified version of the REPAYE repayment plan. This means that the interest subsidy on any unpaid accrued interest would be 100% for all loan types in negative amortization throughout the repayment period.

Table 2 presents an illustrative example of how the interest subsidy would be applied under the current version of the REPAYE repayment plan and the modified version of the REPAYE repayment plan in the borrower's first year of repayment.

The example assumes a borrower enters into repayment of their Direct Loans and is enrolled in the REPAYE repayment plan. The borrower has an income of $20,000, resulting in a $0 monthly payment under both repayment plans. The borrower has an original principal balance of $20,000 ($10,000 in Subsidized Loans and $10,000 in Unsubsidized Loans) with an interest rate of 6% for both loan types. The selected example is for informational purposes only and is not intended to predict outcomes for borrowers.

In this example, during a month in Year 1 of repayment, the borrower is charged a total of $100 in monthly accrued interest ($50 on the Subsidized Loans and $50 on the Unsubsidized Loans). Since the borrower has a monthly payment of $0, under both the current and modified versions of the REPAYE repayment plan, the amount of accrued interest that is unpaid is $50 on their Subsidized Loan and $50 on their Unsubsidized Loan (a total of $100). Under the current REPAYE repayment plan, the borrower would not be charged the $50 in unpaid accrued interest on their Subsidized Loan, while on their Unsubsidized Loan, they would not be charged for half of the unpaid accrued interest ($25) and would remain responsible for the other half ($25). In total, of the $100 in unpaid accrued interest on their loans, they would not be charged $75 in unpaid accrued interest and would still be responsible for $25.[32] Under the modified version of the REPAYE repayment plan, the borrower would not be charged the entire $50 in unpaid accrued interest on both their Subsidized Loans and Unsubsidized Loans. In total, of the $100 in unpaid accrued interest on their loans, they would not be charged anything.

[30] A monthly payment would be applied in the following order: (1) accrued interest, (2) collection costs, (3) late charges, and then (4) loan principal (34 C.F.R. §685.209(c)(3)).

[31] An interest subsidy of 100% means that the federal government does not charge to the borrower any of the unpaid accrued interest in a given month. An interest subsidy of 50% means that the federal government does not charge to the borrower half of the unpaid accrued interest in a given month. The borrower is still responsible for paying the remaining half, which, if not satisfied by the borrower's monthly payment, accumulates in a balance of unpaid interest.

[32] After Year 3 of repayment, the interest subsidy on Subsidized Loans decreases from 100% to 50% for the remainder of the repayment period, which means that the borrower is not charged for half of the unpaid accrued interest on their Subsidized Loans and is responsible for the other half.

The simplified case here, in which a borrower has a low enough income for the same monthly payment of $0 under both current and modified versions of the REPAYE repayment plan was chosen to more easily demonstrate a comparison of the interest benefits after one monthly payment under the two repayment plans. However, the findings from this single case may not be broadly applicable to borrowers with different incomes and different loan balances and interest rates. Borrowers with higher incomes may not be in negative amortization under one or both versions of the REPAYE repayment plan, and may see no interest subsidy after a monthly payment. Additionally, the condition of negative amortization is not only a product of a borrower's income but also of their loan balances and the interest rates on such loans.

It is likely that the impact on the amount of interest not charged to a borrower would be more substantial for loans of larger balances and/or loans with higher interest rates, such as loans for graduate education. Borrowers with graduate or professional degrees, however, are more likely to have higher incomes, and thus may be more likely to have a large enough calculated monthly payment to cover a larger share of the monthly accrued interest, if not all of it, and also may be more likely to pay down any accumulated unpaid accrued interest over time.

Table 2. Illustrative Example of Unpaid Accrued Interest under Current REPAYE and Proposed Modified REPAYE Repayment Plans

(adjusted gross income: $20,000)

	Current REPAYE		Modified REPAYE	
	Subsidized Loan	**Unsubsidized Loan**	**Subsidized Loan**	**Unsubsidized Loan**
Monthly Payment in Year 1				
Original principal balance	$10,000	$10,000	$10,000	$10,000
Monthly payment	$0	$0	$0	$0
Monthly accrued interest (6% interest rate)	$50	$50	$50	$50
Unpaid accrued interest after monthly payment	$50	$50	$50	$50
Unpaid accrued interest: not charged to borrower	$50	$25	$50	$50
Unpaid accrued interest: borrower responsibility	$0	$25	$0	$0

Source: CRS analysis.

How would the maximum repayment period change under the modified version of the REPAYE repayment plan?

IDR plans make available the prospect of eventual loan forgiveness if a borrower, after making qualifying payments according to one or more of the IDR plans, has been unable to fully repay his or her student loan debt by the end of the maximum repayment period.

Under current REPAYE rules, for borrowers whose student loan debt was obtained exclusively for undergraduate education, the maximum repayment period is 20 years; for borrowers whose student loan debt includes any amounts obtained for graduate education, the maximum repayment period is 25 years. Any loan balance that remains after the maximum repayment period will be forgiven.

The proposed modified version of REPAYE repayment plan would provide a shorter maximum repayment period for borrowers with low original principal balances and, as a result, the prospect of receiving loan forgiveness sooner than under the current REPAYE repayment plan. **Table 3** summarizes the changes to the maximum repayment period under the modified version of the REPAYE repayment plan as compared to the current version of the REPAYE repayment plan.

Table 3. Changes to Maximum Repayment Periods Under the Current Version of the REPAYE Repayment Plan and the Modified Version of the REPAYE Repayment Plan

By Loan Composition

	Current REPAYE	Modified REPAYE
Borrowers with Exclusively Undergraduate Loans		
Total OPB ≤ $12,000	20 years	10 years
$12,000 < Total OPB < $22,000	20 years	10 years to 20 years[a]
Total OPB ≥ $22,000	20 years	20 years
Borrower with Any Graduate Loans		
Total OPB ≤ $12,000	25 years	10 years
$12,000 < Total OPB < $27,000	25 years	10 years to 25 years[b]
Total OPB ≥ $27,000	25 years	25 years

Source: Department of Education, "Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program," 88 *Federal Register* 1894-1930, January 11, 2023.

Notes: OPB = original principal balance

a. For borrowers with exclusively undergraduate loans in amounts of greater than $12,000 and less than $22,000, an additional year is added to the maximum repayment period for every $1,000 a borrower's total OPB exceeds $12,000.

b. For borrowers with debt in amount of greater than $12,000 and less than $27,000 that includes any graduate loans, an additional year is added to the maximum repayment period for every $1,000 a borrower's total OPB exceeds $12,000.

As an example, a borrower with a total original principal balance of $15,000 borrowed exclusively for undergraduate education would have a maximum repayment period of 20 years under the current version of the REPAYE repayment plan. Under the modified version of the REPAYE repayment plan, the maximum repayment period would be shortened to 13 years. If that same borrower had obtained $15,000 total in loans for both undergraduate and graduate education, then their maximum repayment period would be 25 years under the current REPAYE repayment plan versus 13 years under the modified version of the REPAYE repayment plan.

Changes to All IDR Plans

Does the proposed rule make changes to what periods of deferment and forbearance would count toward the maximum repayment period under an IDR plan?

Periods of deferment and forbearance provide borrowers with temporary relief from the obligation to make monthly payments that would otherwise be due on their Direct Loans.

Deferment[33]

A *deferment* is a temporary period during which a borrower's obligation to make regular monthly payments of principal and interest is suspended. In general, periods during which borrowers are in a deferment are excluded from the repayment period. However, current rules permit borrowers to count toward satisfying the maximum repayment period under an IDR plan periods of up to three years while in receipt of an economic hardship deferment, which includes deferments for Peace Corps service.[34] Additionally, on April 19, 2022, ED announced a one-time payment count adjustment for the purpose of satisfying the maximum repayment period for eligible borrowers enrolled in IDR plans. As part of this one-time adjustment, ED will count toward satisfying the maximum repayment period the following periods of deferment:

- months spent in economic hardship or military deferments after 2013; and
- months spent in any deferment (with the exception of in-school deferment) prior to 2013.[35]

In addition to periods of economic hardship deferment, which include deferments for Peace Corps service, the proposed rules would allow for the following other periods of deferment to count toward the maximum repayment period under all IDR plans:

- cancer treatment deferment;
- rehabilitation training program deferment;
- unemployment deferment;
- military service deferment; and
- post active-duty student deferment.

Forbearance[36]

Forbearance constitutes permission for a borrower to temporarily cease making monthly student loan payments, to make payments in reduced amounts, or to make payments over an extended period of time. In general, periods during which borrowers are in a forbearance are excluded from the repayment period. However, borrowers may count toward satisfying the maximum repayment period under an IDR plan the duration of the COVID-19 loan payment pause, which is being administered as an administrative forbearance.[37]

Additionally, as part of the one-time payment count adjustment announced on April 19, 2022, ED will count toward satisfying the maximum repayment period the following periods of forbearance:[38]

- a minimum of 12 months or more of consecutive forbearance; or

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[33] For additional information on available types of deferments, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[34] 34 C.F.R. §§685.208; 685.209(a)(6)(i)(G), (b)(3)(iii)(B)(9), (c)(5)(iv)(D); 685.221(d), (f).

[35] U.S. Department of Education, Office of Federal Student Aid, "Income-Driven Repayment Account Adjustment," accessed on February 3, 2023, at https://studentaid.gov/announcements-events/idr-account-adjustment.

[36] For additional information on available types of forbearances, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[37] U.S. Department of Education, Office of Federal Student Aid, "COVID-19 Loan Payment Pause and 0% Interest," accessed on February 2, 2023, at https://studentaid.gov/announcements-events/covid-19/payment-pause-zero-interest.

[38] U.S. Department of Education, Office of Federal Student Aid, "Income-Driven Repayment Account Adjustment," accessed on February 3, 2023, at https://studentaid.gov/announcements-events/idr-account-adjustment.

- 36 months or more of cumulative forbearance, with any combination of forbearance periods counting toward the cumulative amount.

The proposed rules would allow for the following other periods of forbearance to count toward the maximum repayment period under all IDR plans:

- national service forbearance;
- national guard duty forbearance;
- Department of Defense Student Loan Repayment forbearance;
- for an administrative forbearance authorized by ED due to a national military mobilization or other local or national emergency (including the COVID-19 payment pause); or
- for an administrative forbearance for a period of up to 60 days necessary for ED to collect and process documentation supporting the borrower's request for a deferment, forbearance, change in repayment plan, or Consolidation Loan.

For other periods of deferment and forbearance that are excluded from the lists above, the proposed rules would give borrowers the opportunity to receive credit for such periods toward the maximum repayment period. Specifically, to receive credit, the borrower would be permitted to make an additional payment or payments for each month spent in these other periods of deferment and forbearance in an amount that is the lesser of what they would have paid under a 10-year standard repayment plan or an IDR plan at the time of the deferment or forbearance.[39]

One consideration is how this new policy might impact the maximum repayment period for borrowers of PLUS Loans who are repaying such loans according to an IDR plan. These borrowers, who typically receive a deferment while in school, could receive credit towards the maximum repayment period for each month spent in the in-school deferment if they make a qualifying payment or payments equal to what they would have paid during those months. Under an IDR plan, those monthly payments could be as little as $0 as it is likely that while in-school, some borrowers would be earning very little income. This option would not be available to borrowers of Subsidized Loans and Unsubsidized Loans since these borrowers do not enter into repayment until after completing or ceasing at least half-time enrollment and a six-month grace period.

Would these same periods of deferment and forbearance count toward qualifying for Public Service Loan Forgiveness?

Under the Public Service Loan Forgiveness (PSLF) program, a borrower may receive forgiveness for their outstanding balance of principal and interest on eligible Direct Loans after making 120 qualifying monthly payments, while the borrower is employed full-time by one or more public service organizations. Loan payments made while an individual is in an in-school or other type of deferment, grace period, or forbearance are not considered qualifying payments.

On November 1, 2022, ED published a final rule (effective July 1, 2023) that is to permit borrowers to count certain periods of deferment and forbearance as qualifying monthly payments

[39] For the purpose of calculating the monthly payment under an IDR plan, ED would first attempt to source the necessary data for the period in question using administrative data sources. If ED does not have those data, then it would ask the borrower to provide the necessary information.

for the purpose of satisfying PSLF requirements.[40] The periods of deferment and forbearance that are to count toward qualifying monthly payments for PSLF are nearly the same as the aforementioned proposed periods of deferment and forbearance that would count toward the maximum repayment period under IDR plans. There are two exceptions—periods in rehabilitation training programs and unemployment deferments would not count as qualifying monthly payments for PSLF.

How would the receipt of a Direct Consolidation Loan affect a borrower's maximum repayment period?

Direct Consolidation Loans allow individuals who have at least one loan borrowed through either the Direct Loan program or the Federal Family Education Loan (FFEL)[41] program to refinance their eligible federal student loan debt by borrowing a new loan and using the proceeds to pay off their existing federal student loan obligations, including loans that are in default.

Upon an individual obtaining a Direct Consolidation Loan, a new repayment period begins. As a result, any months in which the borrower made qualifying payments according to an IDR plan on the individual loans prior to the consolidation do not count toward satisfying the maximum repayment period for the new Consolidation Loan. The clock essentially restarts for the borrower for the purpose of satisfying the maximum repayment period under an IDR plan.

On April 19, 2022, ED announced a one-time payment count adjustment for the purpose of satisfying the maximum repayment period for eligible borrowers enrolled in IDR plans. As part of this one-time adjustment, ED will count towards satisfying the maximum repayment period "any time in repayment on earlier loans prior to consolidation of those loans into a consolidation loan."[42]

Going forward, the proposed rules would allow a borrower who consolidates one or more eligible Direct Loan or FFEL program loans into a Direct Consolidation Loan to count qualifying payments made on the individual loans prior to the consolidation as qualifying payments on the Direct Consolidation Loan for the purpose of satisfying the maximum repayment period under an IDR plan. Specifically, the number of qualifying payments for which the borrower would receive credit from prior loan payments would be equal to the weighted average of the number of qualifying payments made on the individual's loans, based on the original principal balance for each loan.

For example, suppose a borrower wanted to consolidate two individual loans. Prior to the consolidation, the borrower made 50 qualifying payments on one loan with an original principal balance of $20,000, and no qualifying payments on the other loan with an original principal balance of $20,000. The borrower would receive credit for 25 payments for the purpose of satisfying the maximum repayment period on the Consolidation Loan.

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[40] U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2022.

[41] Authority to make new loans under the FFEL program was terminated, effective July 1, 2010.

[42] U.S. Department of Education, Office of Federal Student Aid, "Income-Driven Repayment Account Adjustment," accessed on February 3, 2023, at https://studentaid.gov/announcements-events/idr-account-adjustment.

Would the proposed rules eliminate any of the existing IDR plans?

The proposed rules would not explicitly eliminate any of the existing IDR plans, but they would phase out some of the plans and significantly curtail eligibility for others. To do so, the proposed rules would limit future enrollment in certain plans. Specifically, eligibility for the two IBR plans would be limited to borrowers who have a PFH and who have not made 120 or more qualifying payments under the modified version of the REPAYE repayment plan on or after July 1, 2023.[43] Eligibility for the PAYE repayment plan would be limited to borrowers enrolled in the PAYE repayment plan before the effective date of the regulation.[44] Eligibility for the ICR plan would be limited to borrowers enrolled in the ICR plan as of the effective date of the regulations,[45] or to borrowers whose loans include a Direct Consolidation Loan made on or after July 1, 2006, that repaid a Parent PLUS Loan. All borrowers with Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans to graduate or professional students, and Direct Consolidation Loans that did not repay a Parent PLUS Loan would be eligible to enroll in the modified version of the REPAYE repayment plan.[46]

Once the phase-out of the plans is completed,[47] the IDR plans available to borrowers would consist of the ICR plan, the IBR plan for post-July 1, 2014, new borrowers, and the modified version of the REPAYE repayment plan.

Other Provisions

How would the proposed rules address delinquent borrowers?

Currently, borrowers who are delinquent on their loans may enroll in any of the IDR plans up to the point of default. A borrower defaults on their loan when they have failed to make payments when due or have otherwise not adhered to the terms of the promissory note for 270 days.[48]

Under the proposed rules, the Secretary of Education would place a borrower in the IDR plan that results in the lowest monthly payments based on the borrower's income and family size, if the borrower

[43] It is unclear whether this limitation would apply to payments made under the current REPAYE repayment plan, payments made under the modified version of the REPAYE repayment plan, or both.

[44] A borrower who is repaying according to the PAYE repayment plan and changes to a different repayment plan after the effective date of the regulations may not re-enroll in the PAYE repayment plan.

[45] Borrowers who are repaying according to the ICR plan and change to a different repayment plan after the effective date of the regulations may not re-enroll in the ICR plan.

[46] Borrowers of one of these types of loans and of a Parent PLUS Loan or Direct Consolidation Loan that repaid a Parent PLUS Loan could repay their REPAYE qualifying loans under the REPAYE repayment plan and their Parent PLUS Loan or Direct Consolidation Loan that repaid a Parent PLUS Loan under the ICR plan. U.S. Department of Education, "Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program," 88 *Federal Register* 1926, January 11, 2023.

[47] Phase-out of a particular plan would be complete when, based on the terms of the plan, it would be impossible for borrowers to enroll in it. For example, at some point in the future, only post-July 1, 2014, new borrowers would remain. As such, they could choose to enroll in (among other plans) the IBR plan for post-July 1, 2014, new borrowers, but they could not enroll in the Original IBR plan based on the eligibility criteria for that plan. At this point, the phase-out of the Original IBR plan would be complete.

[48] 34 C.F.R. §685.102.

- is in repayment status on their loan and has not made a scheduled payment on the loan for at least 75 days;
- is otherwise eligible for the IDR plan;
- has approved the disclosure of Internal Revenue Service tax information to ED[49]; and
- the Secretary determines that the borrower's payment under the IDR plan would be lower than the payment under the plan in which the borrower is enrolled.

The placement of qualifying delinquent borrowers into an IDR plan may help ensure that they do not ultimately default on their loans.

How would the proposed rules affect borrowers with defaulted loans?

Currently, defaulted loans are ineligible to be repaid according to any of the IDR plans. In addition, payments made on defaulted loans do not count toward a borrower's eligibility for loan forgiveness under any of the IDR plans.

Under the proposed rules, a borrower could repay defaulted loans according to either of the two IBR plans. Payments made on a defaulted loan according to an IBR plan (including a payment of $0) or under the standard 10-year repayment plan, or amounts collected through administrative wage garnishment[50] or federal offset[51] that are equal to the amount a borrower would have paid under the standard 10-year repayment plan would count toward a borrower's eligibility for loan forgiveness under either of the IBR plans.

What would be the cost to the government of this rule?

In the NPRM, ED estimated the cost of changes to the REPAYE repayment plan to be approximately $137.9 billion, including a modification cost for loans made through FY2022 and increased subsidy costs for loans made from FY2023-FY2032. This cost represents the net budgetary impact compared to a baseline, which already incorporated the Public Service Loan Forgiveness Limited Waiver, the IDR account adjustments, the payment pause extension through

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[49] A borrower would be able to approve the disclosure as part of completing the Master Promissory Note for their Direct Loan or the Direct Consolidation Loan application, or when completing the application for an IDR plan. The FUTURE Act specified a process through which borrowers may authorize the Internal Revenue Service to disclose relevant tax return information to ED for the purposes of applying for or recertifying eligibility to repay loans according to the IDR plans. These provisions have not yet been operationalized. For additional information, see CRS Report R46400, *The FUTURE Act (P.L. 116-91): Amendments to the Higher Education Act and Internal Revenue Code*.

[50] Under administrative wage garnishment, up to 15% of a borrower's disposable pay may be garnished to repay a defaulted student loan.

[51] Under the proposed regulations, the term "federal offset" is not be defined. A borrower who defaults on a Direct Loan becomes subject to many consequences, including federal salary offset, in which up to 15% of the disposable pay of a borrower who is a current or former federal employee may be offset to repay a defaulted student loan, and the Treasury Offset Program, through which defaulted borrowers may have their federal income tax returns, Social Security benefits, and certain other federal benefits offset to repay a defaulted student loan. It appears that the term federal offset as used in the proposed rules is intended to include these actions. See 34 C.F.R. Part 30, Subpart C.

December 2022, and the Administration's plan to cancel up to $20,000 in federal student loans, announced in August 2022.[52] If the Administration's plan to cancel federal student loan debt is not implemented, the cost of the modified version of the REPAYE repayment plan would be greater, as the amount of debt eligible to be repaid under the new plan would be higher than currently assumed.

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[52] For more information about these actions, see CRS In Focus IF12136, *Student Loans: A Timeline of Actions Taken in Light of the COVID-19 Pandemic*.