



Key Questions

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What's New With Existing Student Loans This Fall?

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The temperatures are cooling, the leaves are changing, everyone is enjoying their favorite pumpkin-flavored foods, and students are back for a new school year. After a summer of record-breaking heat, autumn has returned. At the same time, after about three and a half years of pause, Congress has determined that it is time for student loan borrowers to resume payments.

Interest will start accruing again in September, with payments resuming in October. Most Americans enjoy the fall, but I haven't met anyone who enjoys paying off their federal student loans.

Payment pause ending

As part of the CARES Act passed in 2020 in response to the COVID-19 pandemic, federal student loan borrowers saw their loans placed into forbearance status. This meant that no payments were due, that there would not be any late penalties, and that interest would not accrue during this period.

The Department of Education reports that approximately 30 million borrowers took advantage of this opportunity by putting their payments on hold. Americans currently owe over \$1.77 trillion in student loan debt, which accounts for about 9.5% of the total consumer debt in the United States. To put things into perspective of how large the number 1.77 trillion is, the U.S. population is approximately 340 million.

With inflation soaring over the past couple of years and credit card utilization ratios skyrocketing, many of these borrowers likely will feel pressure when they have to pick up paying where they left off in 2020.

Student loan cancellation blocked

In addition to loan payments picking back up this fall, borrowers were given another blow this summer. The Biden administration announced an unprecedented relief program in 2022 that produced a variety of social and political polarity. There were two primary components of Biden's proposed plan. The headliner, of course, was the debt cancellation of \$10,000 for certain student loans (\$20,000 for those who were Pell Grant recipients).

On June 30, the Supreme Court struck down this part of the plan. Reportedly, 26 million hopeful borrowers had applied to have this debt forgiven before the proposal was dismissed.

Department of education to launch a new SAVE Plan

It is not all bad news for borrowers, though. The second component of Biden's plan — the Saving on a Valuable Education Plan or SAVE Plan — will move forward this fall. It replaces the current Revised Pay As You Earn (REPAYE) Plan (which, before SAVE, was the most generous income-driven repayment plan).

The SAVE Plan includes multiple new benefits for borrowers, some of which take effect now and others that will take effect in July 2024 when the plan is fully implemented.

These benefits take effect now

- Borrowers will see a larger portion of their income protected in relation to the federal poverty level. This is important because this means test considers income

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and family size. The income protected from loan payments under SAVE will increase from 150% of the federal poverty level to 225%. For a single borrower, this equates to earning less than \$32,800 a year (\$67,500 for a family of four). Borrowers under the threshold will have their loan payments set to \$0.

- Unpaid monthly interest outside of a borrower's monthly payment will no longer accrue, so loan balances won't increase if borrowers make their monthly payments as required under SAVE. That's true even in cases where a borrower's monthly payment is set to \$0.
- Married borrowers who file their taxes separately will no longer be required to include their spouse's income in their payment calculation for SAVE. These borrowers will also have their spouses excluded from their family size when calculating payments.

These benefits will take effect in July 2024

- Undergraduate borrowers will see their payments capped at 5% of their discretionary income. This number is slashed in half from the current 10% cap under the REPAYE plan.
- For individuals paying on loans for graduate-level programs, the discretionary income cap will be set at 10%, which is also a significant drop from the current rate.
- Borrowers will see their loans forgiven at a faster pace. Individuals whose original loan balance was \$12,000 or less will see their debt forgiven if they have a balance after 10 years of payments. For every \$1,000 increment over the \$12,000 original loan balance, one additional year is added on to the 10-year base rule. For example, if someone started with \$15,000 in federal student loans, they would have their debt wiped clean after 13 years of payments.

Beware of student loan repayment scams

Unfortunately, fraudsters and scam artists are preying on vulnerable borrowers posing as legitimate debt-relief companies, promising to help them repay their loans. Many of them use aggressive tactics, make false claims and charge unnecessary fees. If you are getting ready to repay your student loans, you may be contacted by companies offering to help you. Before you act, here are some signs that you might be dealing with a repayment scam:

Upfront or monthly fees

They will often try to charge you an upfront or monthly fee for a program you typically can access for free. You do not have to pay someone to help you manage your student loans. Many loan services offer free programs.

High-pressure tactics

They may instruct you to act immediately or threaten you with legal action or wage garnishment. A legitimate company will never use these aggressive tactics or pressure you to act quickly when contacting you about your student loan repayment options.

Requests for personal and/or financial information

Never share your personal financial information with anyone via email, text message or phone.

False claims of affiliation

Some scam artists may also claim to be affiliated with your loan servicer or an official organization such as the U.S. Department of Education. Never use the contact information provided in an email, text or voice message from an unknown sender because it may be tied to a scam. Only use the contact information provided on your loan servicer's website or billing statement.

Attempts to come between you and your loan servicer

Be wary of a company that attempts to come between you and your loan servicer. Scam artists may do this by instructing you to make your loan payments directly to them or by asking you to communicate with them instead of your loan servicer. Always refer to your loan servicer when making payments on your student loans and contact them directly with any questions about your loans or loan repayment.

This all may seem overwhelming to many. It's a lot of change in a short time. With student loan repayments set to resume, borrowers should understand how to take advantage of what is available to them. The new SAVE Plan may or may not be the right choice for you. Every borrower may be affected differently. There are other income-driven repayment plans available to consider.



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If you need assistance in paying down your student loan debt or for more information, [please contact your advisor.](#)



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