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DRIVING UNAFFORDABILITY:

How Income-Driven Repayment Currently Fails to Deliver Financial Security to Student Loan Borrowers

September 2021

Part of the:

Improving & Delivering Relief:
Income-Driven Repayment Paper Series

SBPC | STUDENT BORROWER PROTECTION CENTER

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- Federal student loans impose a substantial financial burden on borrowers. In response, since 1992, policymakers have introduced a variety of repayment plans that set federal borrowers' monthly student loan bills at an amount determined by their income, not by their loan balance. This menu of payment plans is collectively referred to as income-driven repayment (IDR).

- IDR was meant to deliver broad affordability to all federal student loan borrowers. However, as currently designed, IDR continues to make it possible for borrowers to have to choose between their monthly student loan bill and key life expenses such as food, shelter, and medicine. Through a series of hypothetical narratives, this report illustrates how IDR's current payment formulas only continue to force borrowers to choose between basic needs and student loan bills, especially if borrowers live in high-cost areas, owe on private student loans, face unexpected costs such as medical bills, or are working parents. These pressures are more likely to fall on Black and Latino borrowers, making the shortcomings of IDR's current payment calculations a clear civil rights issue.

- President Biden has voiced support for modifying IDR's payment calculations to be based on 5 percent of discretionary income instead of the current 10 to 20 percent range across IDR plans. This would be a strong step forward for borrowers. However, it would leave unanswered the question of how discretionary income is calculated in the first place, and, by extension, how much income student loan borrowers should have protected from loan repayment obligations. Raising the threshold for protected income under IDR is both an economic and moral imperative, as it amounts to an affirmation that people's basic needs are far more important than the government's ability to recoup student loans.

- Various steps are necessary to ensure that IDR finally meets its goal of delivering affordability to millions of student loan borrowers, and the Biden administration has a unique opportunity to take them in the context of an upcoming rulemaking. As mentioned, the Biden administration should take bold action to consider implementing more appropriately high thresholds for protected income under IDR. This should include considering adopting other, higher thresholds that are already used as relief cutoffs in other policy areas. Further, the Consumer Financial Protection Bureau and the Department of Education should create an interagency task force aimed at developing a deep understanding of the actual financial situation that student loan borrowers face and how repayment options should be tailored to best achieve

IDR's goals. Finally, the payment formulas outlining the various IDR plans should consider all student loan debt owed by a household, including private student loans and Parent Plus loans taken by a parent on a borrower's behalf. Doing so would uphold a holistic approach to setting monthly payments, a necessity to fully deliver student loan borrowers affordability.

Introduction

Federal student loans impose a substantial and often insurmountable financial burden on borrowers.[1] In response, since 1992, policymakers have introduced a variety of repayment plans that set federal borrowers' monthly student loan bills at an amount determined by their income, not by their loan balance.[2] This move was explicitly framed as a way to make the cost of college more affordable for all student loan borrowers.[3]

The menu of income-based payment plans available for federal student loan borrowers is collectively referred to as income-driven repayment (IDR).[4] Research shows that IDR is extremely effective in improving the repayment outcomes and financial situation of borrowers who enroll and persist in it.[5] For example, scholars have found that borrowers who enroll and remain in IDR have more success keeping up with their loan payments,[6] pay down their non-student loan debts more quickly,[7] and enjoy improved access to other forms of credit.[8]

But while IDR is evidently beneficial and generally preferable to other options for distressed borrowers—such as forbearance or default—it has still not fully lived up to its potential as a pathway to affordability for student loan borrowers. This outcome is in part due to aspects of IDR's implementation, which has been marked by failure on the part of the Department of Education (ED)[9] and predatory behavior by the Department's contractors.[10] As a result, those who could benefit from IDR the most—including borrowers of color, low-income borrowers, and borrowers who did not complete their course of study—are also the most likely to miss out on the protection.[11]

However, as this report highlights, problems related to IDR run deeper than ED and the student loan industry's track records of mismanagement and abuse. In particular, while IDR aims to provide a bridge to affordability for student loan borrowers, the payment calculations underlying the suite of IDR plans available to borrowers do not sufficiently account for the real financial pressures they face.

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In particular, each IDR plan determines borrowers' monthly payment obligations as a percent of a measure referred to as "discretionary income," which is calculated as the borrower's adjusted gross income minus 100 to 150 percent of federal poverty guidelines based on which plan the borrower enrolls in.[12] Discretionary income is used instead of gross income so that borrowers can be sure to have at least some protected money to cover basic needs.[13]

However, by aiming to shield income only up to 100 to 150 percent of federal poverty guidance, IDR's payment calculations fail to take into consideration other key financial pressures such as local variation in the cost of housing and basic goods, the burden of private student loans or other debts, and the presence of other life expenses such as childcare or surprise medical emergencies.[14] Each of these common economic realities can remain substantially burdensome for households with student loan debt. In failing to take them into account, the payment calculations currently underlying IDR allow federal student loans to remain wholly unaffordable for low to middle-income borrowers. Moreover, the financial pressures underlying this outcome are more likely to fall on Black and Latino borrowers, making the shortcomings of IDR's current payment calculations a civil rights issue.[15]

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The effects of IDR's current shortcomings on low to middle-income borrowers may seem to be a secondary concern relative to the protection's failure, mentioned above, to assist even more financially pressed borrowers. However, these effects point to the breadth of the opportunity that IDR as currently designed misses. Advocates have noted IDR's potential to help the most financially vulnerable borrowers and have championed the protection in terms of it being "the most important anti-poverty measure in the student loan system."[16] This is admirable, as both discussion and action related to the ways IDR still fails extremely low-income borrowers are badly needed. For example, a single borrower living in the continental U.S. making only $26,000 per year would still be required to pay more than $55 per month toward his or her federal student loans if enrolled in the IDR plan REPAYE.[17] It is plainly absurd for policymakers to demand that such a manifestly financially strapped borrower prioritize payments on his or her federal student loans over basic life expenses, as would likely become the case for a borrower at that income level.

Nevertheless, answering the question of whether student loan payments are truly affordable on the scale that IDR's creators intended requires looking beyond just those borrowers at the lowest income level and recognizing the substantial financial burden that student loan debt poses more broadly. Indeed, as Representative Samuel Gejdenson said in the debates surrounding the legislation that introduced the first IDR plan, the protection ideally "guarantees that borrowers at **all income levels** will not pay more per month than they can afford" (emphasis added)—not just the most needy.[18] This ambitious vision should be the centerpiece of any reform to IDR.

President Biden has voiced support for modifying IDR's payment calculations to be based on 5 percent of discretionary income as a means to ensure broad student loan affordability,[19] a rate that falls far below the current 10 to 20 percent range across IDR plans.[20] Enacting this change would be a strong step toward boosting the affordability of federal student loans. However, this change would still leave unanswered key questions with consequences for the most financially strapped borrowers and low to middle-income borrowers alike—in particular, how discretionary income is calculated in the first place, and, more fundamentally, how much income student loan borrowers should have protected from loan repayment obligations.

Focusing on the amount of income that IDR protects as non-discretionary in addition to modifying the amount of discretionary income that borrowers owe under IDR, as the Biden administration has proposed, is both an economic and moral imperative. Raising the threshold for protected income under IDR amounts to an affirmation that people's basic needs, from the roof over their head to medicine for their children and food on their table, are far more important for society than the government's ability to recoup student loans.

This paper aims to illustrate what providing a high threshold of protected income would mean for student loan borrowers enrolled in IDR. Through a series of hypothetical case studies, this paper demonstrates how low to middle-income borrowers utilizing IDR's current payment formulas can still be forced to choose between their student loan bill and basic necessities—something that a move to a 5 percent income threshold would help, but would simply not solve.

President Biden has an opportunity to deliver on affordability for student loan borrowers. But his administration will be able to do this only by taking a comprehensive view of what affordability means.

IDR's Payment Calculations Currently Fall Short of their Potential to Protect Borrowers

The following hypothetical scenarios use data from the Bureau of Labor Statistics[21] to illustrate how IDR's current payment structure makes it painfully possible even for low to middle-income borrowers' student loan bills to remain an insurmountable financial burden after enrolling in the protection. In doing so, these narratives point to the very real ways that the promise of affordable student payments through IDR is being broken every day across the United States.

IDR's payment calculations do not account sufficiently for regional variation in basic expenses

The payment formulas underlying IDR do not create a meaningful buffer for geographic variation in the cost of living.[22] In failing to do so, IDR's payment formulas leave borrowers vulnerable to substantial regional and subregional differences in basic life expenses and the effect this variation can have on household balance sheets. For example, available data indicate that for every dollar the typical American household spends on transportation, households in Seattle, Washington spend $1.37, while households in Thomasville-Lexington, North Carolina spend $0.76.[23] Similarly, for every dollar a typical household spends on utilities, a household in Bakersfield, California spends $1.37, while a household in Shreveport-Bossier City, Louisiana spends $0.73.[24] And while average monthly rent for a one-bedroom apartment is $4,510 in New York City, it is only $629 in Tulsa, Oklahoma.[25] IDR as currently designed captures none of this regional variation, making it possible for the extent of income currently shielded from IDR's reach to be totally inadequate relative to the scale of financial distress borrowers may face due to their locality.

IDR's payment formulas leave borrowers vulnerable to substantial regional and subregional differences in basic life expenses and the effect this variation can have on household balance sheets.

The following hypothetical example illustrates how devastating the current limits of the payment formulas underlying IDR can be for borrowers living in high-cost areas.

IDR Does Not Sufficiently Account for Regional Variation in the Cost of Living: Lilly's Story

Lilly is a recent graduate living in Tampa, Florida with $37,900 in student debt, the average balance for borrowers in the Sunshine State.[26] All of her loans are federal. Lilly has not yet exited her six-month grace period,[27] meaning that she does not yet receive a monthly student loan bill. She earns $62,894 per year, in line with the mean value for her city.[28] But life in Tampa involves substantial costs. Assuming only that her expenses match typical levels for Tampa,[29] Lilly will need to spend $59,193 each year to cover the cost of basic necessities, including $20,064 on housing, $9,053 on food, and $10,692 on transportation.[30] These baseline expenses will leave her with only $3,701, or $308 per month, as a cushion to meet any additional or unexpected costs, let alone to begin saving for anything including retirement.[31]

BORROWER PROFILE: LILLY	
Location:	Tampa, FL
Life situation:	Single, no children
Federal student loan balance:	$37,900
Private student loan balance:	$0
Annual salary:	$62,894

One of the costs Lilly faces arrives with an email from her federal student loan servicer: if she enters repayment and does nothing, Lilly will soon owe slightly more than $383 dollars per month when her grace period expires and her monthly student loan bill begins arriving—more than enough to put her squarely over budget.[32] Fearing this upcoming expense, Lilly heads to the loan simulator on the Office of Federal Student Aid's (FSA) website, which informs her that her best option for income-driven repayment is the "IBR2" plan.[33] IBR2 sets her payments at 10 percent of discretionary income and promises loan forgiveness after 20 years.[34] Further, FSA promises IBR2 will make Lilly's payments "more manageable,"[35] assuring her that IBR2 will provide the help she needs. She enrolls.

IDR DOES NOT HELP LILLY	
Income:	$62,894
Food costs:	$9,053
Housing costs:	$20,064
Transportation costs:	$10,692
Childcare costs:	$0
Unexpected expenses:	$0
Private student loan payments:	$0
Other life costs:	$19,383
Federal student loans, standard repayment $4,599	**Federal student loans, IDR** $4,357
Outcome: standard repayment **$898 over budget**	**Outcome: IDR** **$656 over budget**

(all figures annual, expenses aside from student debt are based on averages reported by the Bureau of Labor Statistics)

A few months later, Lilly receives a shock in her email inbox: a student loan bill for $363 dollars. Given that the federal poverty guideline for a single person living in Florida is $12,880, Lilly's discretionary annual income for IBR2 is $43,574, leaving her with a monthly student loan bill that has been reduced by only $20 through IDR. Lilly is now $656 over budget on an annual basis.[36] Based on her current income, Lily will not be able to make ends meet, let alone to begin saving for retirement or other lifetime financial milestones such as homeownership. Instead, she will have to cut back on basic expenses in the name of student loan repayment.

For Lilly, the promise of affordability through IDR has been broken because the protection's payment formulas did not offer sufficient cushion to account for the financial reality of simply living where she does. This outcome did not have to arise. If the amount of protected income under IDR were doubled as a percent of poverty guidance, for example, Lilly would end the year with a $1,276 surplus[37] instead of a $656 deficit.[38] ED already has the ability through its rulemaking authority to set the level of protected income under IDR at that or an even more generous level. For Lilly, that would mean the difference between making ends meet and not.

IDR's payment calculations do not account sufficiently for the burden of private student loans and other credit used for education expenses

As a protection for federal student loan borrowers, IDR strictly considers only borrowers' federal student loans when determining how much they should have to pay each month, how long they should have to wait for forgiveness, and other key loan terms.

However, federal student loans are hardly the full picture when it comes to the panoply of debt and credit that many borrowers use to finance their pursuit of higher education, nor are bills on federal student loans the only obligations that borrowers face each month to repay debts taken on for education expenses.

More than 2.5 million federal student loan borrowers owe a cumulative $53.2 billion in private student loans,[39] and a large private student loan company recently indicated that borrowers with both federal and private student loans pay an average of $277 per month on private loans owed to the company.[40] Given broad wealth disparities relative to white peers, Black and Latino borrowers are more likely to have outstanding unmet financial need beyond federal student loan limits, leading many to turn to private student loans to finance their education.[41] Further, borrowers of color are much more likely to struggle in repayment on private student loans; almost 24 percent of Black borrowers with private student loans, for example, report having fallen behind on at least one private student loan due to economic hardship, a rate that is nearly four times higher that of white borrowers.[42] The payment formulas currently underlying IDR do not consider or provide sufficient buffer for the substantial and extremely common monthly expense of private student loans when constructing their vision of federal student loan borrowers' finances.

Moreover, one-in-five households with any debt used to pay for higher education have it in the form of credit card debt.[43] This statistic points to the growth of the "shadow student debt" market, an umbrella term for the expanding world of debt and credit products that extends beyond brand-name private student loan companies and sometimes even beyond the legal definition of a "private education loan," but which are nevertheless used to finance educational expenses.[44] The expenses that these debts pose are real to borrowers, but they simply do not exist in the eyes of IDR's payment calculations.

The following hypothetical example illustrates how the narrowness of the payment formulas currently underlying IDR make it possible for the cost of private student loans to still break a borrower's budget, even when they are enrolled in IDR.

IDR Does Not Sufficiently Account for the Burden of Private Education Credit: Dan's Story

Dan struggled to afford a college education as an independent student. Even with grants and $57,500 in federal student loans, the maximum allowed for independent undergraduates,[45] he needed to take on roughly $24,000 in private student loans to pursue his education.[46]

BORROWER PROFILE: DAN	
Location:	Phoenix, AZ
Life situation:	Single, no children
Federal student loan balance:	$57,500
Private student loan balance:	$23,857
Annual salary:	$74,635

Dan now lives and works as a social worker in Phoenix, where he earns and spends amounts typical for his metropolitan area.[47] As was true for Dan's fellow hypothetical borrower Lilly, Dan faces high costs based on his location; housing costs alone in Phoenix have more than doubled in the last decade.[48]

Sitting down to develop a budget, Dan turns to the student loan simulator on the FSA website.[49] Entering his balance, income level, and various other pieces of information, he is excited to learn he can lower his federal student loan payments by more than $120 per month by enrolling in one of several different IDR plans.[50] Had he stayed in standard repayment, Dan would have had less than $100 left in his monthly budget after expenses and his federal student loan bill.[51] Now, he will have $218 left.[52]

But that's all before Dan remembers his private student loans. With these loans accruing interest at 7 percent over a 10-year repayment term, he is expected to pay back an additional $277 per month, an amount that is unfortunately typical for a borrower in his situation.[53] Across his federal and private loans, even with IDR, he will be expected to pay $738 per month. Dan frustratedly realizes that none of the IDR plans available to

IDR DOES NOT HELP DAN	
Income:	$74,635
Food costs:	$8,221
Housing costs:	$21,492
Transportation costs:	$12,525
Childcare costs:	$0
Unexpected expenses:	$0
Private student loan payments:	$3,324
Other life costs:	$24,252
Federal student loans, standard repayment $6,978	**Federal student loans, IDR** $5,532
Outcome: standard repayment **$2,156 over budget**	**Outcome: IDR** **$710 over budget**

(all figures annual, expenses aside from student debt are based on averages reported by the Bureau of Labor Statistics)

him consider the cost of his private student loans when calculating his payment obligations.

Dan enrolls in IDR, but it's not enough—even with the $121 savings that the protection offers on his federal loans, his private student loan obligations put him roughly $59 over budget per month.[54] He will have to cut back on basic expenses such as food, housing, and healthcare to make ends meet, and he will be extremely vulnerable in the event of any unexpected financial obligations. Dan did everything right; he took on what society told him was "good debt,"[55] went to college, and assumed the government meant it when it said that it would provide him reasonable repayment options through IDR.[56] But now Dan is teetering on the edge of financial distress.

For Dan, the promise of affordability through IDR has been broken because the payment formulas underlying IDR did not provide him enough financial breathing room to be able to pay his private student loans—a common and burdensome cost faced by millions of student loan borrowers.[57] This need not be the case. If the level of protected income under IDR were doubled as a percent of poverty guidance, for example, Dan's $59 monthly deficit would turn into a $102 monthly surplus.[58] ED could make this, or even a more generous outcome, a reality.

IDR's payment calculations do not account sufficiently for the cost of childcare

More than 16 million federal student loan borrowers who owe on federal student loan debt that they took on for their own education also have children.[59] From infancy through adulthood, the cost that these children present for parents can be massive.[60] The U.S. Department of Agriculture estimates, for example, that raising a child through age 17 costs $233,610.[61] Moreover, these costs are quickly rising. Childcare expenses alone increased at nearly double the rate of inflation throughout most of the last decade[62] and have ballooned during the COVID-19 pandemic.[63] Survey data indicate that more than half of families spent over $10,000 on childcare in 2020.[64]

As currently designed, IDR's payment calculations do not create adequate space for the costs that borrowers may face in their role as parents.[65] For borrowers with children who intend to use their degrees as an entryway to the workforce—something that 91 percent of college students report as a motivating factor behind pursuing a degree in the first place[66]— IDR's current failure to deliver a cushion of affordability commensurate to the cost of childcare is particularly harmful.

The following hypothetical example illustrates how damaging these costs can be for borrowers.

IDR Does Not Sufficiently Account for the Cost of Childcare: Eleanor's Story

Eleanor is a single mother living in Anchorage, Alaska. She was the first in her family to graduate from a four-year college, and she owes $33,000 in student loans, an amount typical among Alaskan borrowers.[67] All of her loans are federal. Eleanor has secured a job earning the average salary for households in the Anchorage metropolitan area, $94,235.[68] This appears to be a high income, but life in Anchorage is particularly expensive, with average annual spending on food, housing, and transportation alone totaling over $47,000.[69] Nevertheless, Eleanor is generally able to get by. She has $1,121 left over each month to save or spend for herself or her child as she sees fit[70] even after expenses and her $334 monthly student loan bill in standard repayment.[71] This is in part thanks to her mother, who supervises her infant son while she is at work.

BORROWER PROFILE: ELEANOR	
Location:	Anchorage, AK
Life situation:	Single parent
Federal student loan balance:	$33,000
Private student loan balance:	$0
Annual salary:	$94,235

Unfortunately, Eleanor's financial stability is shattered when her mother suddenly falls ill and can no longer pitch in with childcare. Eleanor's work necessitates her full attention throughout the day, making private daycare her only viable option on short notice. However, such care costs $1,010 per month on average in Alaska.[72] This expense would eat up over 90 percent of Eleanor's cash after existing expenses, leaving her vulnerable to any other unforeseen expense such as a car repair or an appliance breaking down.

Grappling with this situation, Eleanor considers the "affordable"[73] federal student loan repayment protections that she is entitled to under the law.[74] Her specific circumstances do not qualify her for an economic hardship deferment, and temporary forbearance is unlikely to help either, given that she will need childcare beyond the short-term. But as she enters information on the fields that FSA does inquire about, Eleanor finds that IDR would be of little help.[75] In particular, ICR, the only IDR plan that would lower her monthly payments, would grant her only $2 of relief per month, lowering her payments to $332.[76] Meanwhile, REPAYE—the only other IDR plan she is eligible for—would increase her monthly payments by more than half to $513.[77]

For Eleanor, the promise of affordability through IDR has been broken because IDR's payment formulas did not deliver a financial cushion proportional to the cost of parenting—a cost that, while massive, is common for student loan borrowers.

Once again, this outcome need not have happened. ED could have set the level of protected income under IDR to be three times poverty guidance or more instead of the current 100 to 150 percent. If it had, Eleanor would enjoy an annual budget surplus of more than $2,400 even after the expense of childcare.[78]

IDR DOES NOT HELP ELEANOR

Income:	$94,235
Food costs:	$10,323
Housing costs:	$23,436
Transportation costs:	$13,313
Childcare costs:	$12,120
Unexpected expenses:	$0
Private student loan payments:	$0
Other life costs:	$29,713
Federal student loans, standard repayment $4,005	**Federal student loans, IDR** $3,981
Outcome: standard repayment **$1,326 left**	**Outcome: IDR** **$1,350 left**

(all figures annual, expenses aside from student debt are based on averages reported by the Bureau of Labor Statistics)

IDR's payment calculations do not account sufficiently for the cost of unexpected expenses such as surprise medical bills

Healthcare remains a massive area of expenditure in the U.S., with annual health spending even before COVID totaling $3.8 trillion overall and $11,582 per capita.[79] These costs weigh heavily on American households, contributing to two thirds of personal bankruptcies nationwide each year.[80]

Over 2.3 million federal student loan borrowers do not have health insurance.[81] These borrowers are particularly vulnerable to the consequences of routine medical expenses and are likely to be completely wiped out financially if any health-related costs more serious than that should arise.[82] Plus, even for borrowers with health insurance, healthcare can remain unaffordable, especially in emergency situations.[83]

IDR's current payment formulas do little to address medical expenses that borrowers may face. For borrowers with chronic or unexpected healthcare needs, the failure of the payment calculations underlying IDR to deliver affordability on the scale of prevailing medical costs can be financially ruinous.

The following hypothetical example illustrates how damaging the cost of healthcare can be for borrowers on IDR.

IDR Does Not Sufficiently Account for the Cost of Unexpected Expenses: Chuck and Blair's Story

Chuck and Blair are married, and they live in Boston with their son. Both parents work full-time, each earning half of a combined household income equal to the average for the Boston metropolitan area: $104,623.[84] Chuck owes $34,400 in federal student loans, the mean balance for student loan borrowers in Massachusetts,[85] and Blair graduated without debt. Life in Boston is expensive—the family spends over $83,297 on food, housing, transportation, healthcare, and other necessities, all average amounts for the area where they live[86]—but they still have over $1,400 left over each month, even after Chuck's $348 student loan payment.[87] In

BORROWER PROFILE: CHUCK & BLAIR	
Location:	Boston, MA
Life situation:	Married, one child
Federal student loan balance:	$34,400
Private student loan balance:	$0
Annual salary:	$104,623

particular, the couple is saving toward making a down payment on a house, hoping to stop renting and begin putting money away for retirement.

One weekend, though, as the family is playing outside, Chuck falls and twists his leg. He hears a pop as he hits the ground. He knows immediately that he has torn his ACL.

Chuck is rushed to the hospital, where he is told that he will need emergency surgery. Though he doesn't know it at the time, this surgery costs $14,800 on average.[88] Chuck's family is insured through his employer, but they still face a high deductible—$8,439, the average for a family plan in the U.S.[89] That out-of-pocket expense is almost six times the amount of cash the family has left over each month just after covering necessities, meaning that Chuck and Blair will have to cut substantially into basic expenses and/or dig into months of savings to cover this medical bill, not to mention any others that might follow.

Looking for any form of help, Blair investigates the repayment protections Chuck is eligible for on his federal student loans. This seems promising—the Department of Education notes that it has "affordable"[90] options for borrowers facing financial hardship, and Blair sees that programs for borrowers in default on their loans calculate payments in part based on whether the borrower faces any necessary medical costs.[91] Moreover, while the Department of Education notes that forbearance is also an option for borrowers facing unexpected medical expenses,[92] the Department also indicates that forbearance is meant to be temporary and that interest will continue to accrue on Chuck's loans.[93] Blair needs a more sustainable, long-term solution in case Chuck is unable to work for longer than expected. She looks into IDR.

As she enters her household's information into FSA's student loan repayment simulator, Blair is shocked to see that the only IDR plans available would increase their monthly student loan obligations.[94] In particular, ICR would raise the family's payments from $348 to $350, and REPAYE would increase their payments to a whopping $597.[95]

Blair then recalls that it is so far unclear how much money Chuck will be able to claim in disability insurance, which means her household's only income could end up being her half of the normal $104,623. Blair tries running through FSA's student loan repayment calculator again, this time reporting only her income. After all, she saw on FSA's website that borrowers with especially low household incomes can qualify for a zero-dollar "payment."[96] Surely, Blair thinks, hers is exactly the type of family that FSA has in mind.

Unfortunately, that isn't the case. After entering her information into FSA's repayment simulator while reporting only her portion of the household income, Blair finds that even with IDR available and even with the incredible disruptions her family faces, FSA will still demand at least $161 per month on Chuck's loans through IDR.[97] That's an improvement from her family's current $348 bill, but it is still a massive monthly obligation—and it also depends on Chuck's servicer working through the relevant income expediently and competently. Should Chuck not be able to work, the family will already be over $30,000 in the red just after basic expenses, then on top of that IDR expects the family to continue making monthly payments.[98] Blair's only options seem to be forbearance or default, even though she knows that forbearance can be extremely expensive and that default can have massive ripple effects that could shatter her and Chuck's dreams of homeownership.[99]

IDR DOES NOT HELP CHUCK & BLAIR	
Income (after accident):	$52,312
Food costs:	$9,979
Housing costs:	$30,043
Transportation costs:	$11,779
Childcare costs:	$0
Unexpected expenses:	$8,439
Private student loan payments:	$0
Other life costs:	$31,496
Federal student loans, standard repayment $4,174	**Federal student loans, IDR** $1,937
Outcome: standard repayment **$43,599 over budget**	**Outcome: IDR** **$41,362 over budget**

(all figures annual, expenses aside from student debt and unexpected expenses are based on averages reported by the Bureau of Labor Statistics)

For Chuck, Blair, and their son, the promise of loan affordability through IDR has been broken because the payment formulas underlying the protection did not deliver financial relief on the scale of an unexpected medical expense.

There are over 40 million Americans with past-due medical debt, and more than a third of households could not immediately cover an unexpected $400 expense.[100] American families simply do not have the cushion in their household balance sheets to cover unexpected medical bills, and IDR's current payment formulas do not offer enough savings to ameliorate that problem in the context of federal student loans. Instead, borrowers enrolled in IDR must continue to allocate badly needed income toward their loans after medical emergencies, leaving the door open for families to fall into the red due to medical bills even when they have health insurance.

ED could choose to acknowledge and create a buffer for expenses such as these. For example, if ED had doubled the level of protected income under IDR for the payment plans relevant for Chuck and Blair from 150 percent to 300 percent of federal poverty guidance (or even raised it to be just 250 percent of poverty guidance), then Blair would be entitled to a $0 monthly payment under IDR if her husband is unable to work due to injury.[101] In light of the other financial pressures Blair faces, a $0 monthly payment would likely be the difference between facing a costly default and not.

The examples above are hypothetical, but they are far from outlandish. Every day, low to middle-income borrowers across the country struggle to juggle their various life expenses because the level of affordability delivered under IDR's current payment formulas is not one that is truly affordable. This reality—this policy choice—fundamentally undercuts the promise and ambition of income-driven repayment.

Recommendations

Income-driven repayment is a vital protection meant to safeguard all federal student loan borrowers from the phenomenon of unaffordable student loan debt. It exists to ensure that borrowers do not have to choose between expensive forbearances, delinquency, or basic life necessities, and its creators explicitly intended for it to reduce instances of distress and default.[102]

In its current form, however, IDR's payment formulas fall far short of delivering affordability for a substantial share of federal student loan borrowers. Instead, low to middle-income households with student loan debt may still be forced to prioritize student loan payments over other basic life needs.

This does not have to be—and cannot continue to be—the case. Over time, the Department of Education has used its rulemaking authority to modify IDR and to offer new income-based plans to all federal student loan borrowers.[103] The Department should do so once again, and it should do so with the aim of affirming that student loan affordability precisely means having the income needed for basic life expenses shielded from the reach of the student loan industry.

Accordingly, the Department of Education should take the following critical steps:

- **Increase the level of protected income for federal student loan borrowers on IDR.** Currently, borrowers in IDR can have their income up to 150 percent of poverty guidance protected from obligations for student loan repayment. Beyond simply making monthly student loan payments more affordable, ED should enshrine through its rulemaking authority that protecting income up to only 150 percent of poverty guidance—a measure that is meant to reflect the threshold for basic subsistence[104]—is wholly inadequate. The examples above illustrate that protecting up to only 150 percent of income under IDR makes it not just possible but likely that low to middle-income borrowers may have to choose between student loan payments and basic life necessities. They also illustrate how higher levels of protected income would dramatically change the status quo, immediately broadening the reach and effectiveness of IDR. Accordingly, the Biden administration should take bold action to consider implementing more appropriately high thresholds for student loan borrower relief under IDR. A variety of these thresholds already exist, such as $75,000, the income level at which the Child Tax Credit first begins to phase out for individuals,[105] or 400 percent of poverty guidance, the benchmark currently used as a cutoff for certain forms of federal healthcare assistance.[106] Some have argued that increasing the protected income threshold to 200 percent of poverty guidance will suffice to fulfill the promise of IDR, but it is unclear whether that is the case.[107] As the examples above illustrate, even for many borrowers with incomes far higher than 200 percent of poverty guidance, IDR as currently designed falls short. A much more ambitious approach is necessary.

- **Collaborate with the Consumer Financial Protection Bureau to exhaustively examine affordability.** In its role as the nation's top consumer watchdog, the Consumer Financial Protection Bureau (CFPB) has unique insight and expertise regarding American households' finances. CFPB has previously developed extensive tools aimed at helping borrowers plan and budget for student loan repayment,[108] and the Bureau houses a distinctive consumer credit panel dataset that it regularly uses in research on household spending, saving, and borrowing.[109] The Department of Education should create an interagency task force alongside CFPB aimed at building a deep understanding of the real financial situation that student loan borrowers face and how repayment options must be tailored to best achieve IDR's goal of delivering meaningful affordability across borrowers' financial lives. Within this task force, the Bureau should generate and provide insight into how student loan distress is exhibited in the populations described above—borrowers facing high costs of living, borrowers with private student loans, borrowers with children, and borrowers with unexpected expenses such as medical expenses—as well as for those facing any other common variety of financial strain that the Bureau's data reveals. Further, this task force should continue its work even after the creation of any new IDR plans aimed at reflecting its recommendations around affordability, including by providing regular reports on the financial health of households with student loan debt.

- **The payment formulas underlying IDR should consider all student debt owed by a household.** As noted above, the current formulas underlying IDR do not consider the financial burden posed by private student loans, even while purporting to offer a holistic view of household finances. Similarly, these formulas do not consider any amounts paid by borrowers toward Parent PLUS loans taken by a parent on the borrower's behalf—a repayment obligation that is frequently shouldered by a student, even though the debt may be owed by a parent or grandparent. As student loan borrowers age and begin to assume a greater share of eldercare expenses, the intergenerational effects of the student debt crisis may exacerbate this trend. A holistic approach to setting monthly payments should be conscious of the burdens posed by other types of student debt and can incorporate these expenses in one of two ways. First, borrowers in IDR could be allowed to certify these other expenses to meet the "first dollar" of an expected monthly payment, limiting the amount owed under IDR to any amount remaining under the payment formula for the relevant IDR plan the borrower is enrolled in after private loan or Parent PLUS loan payments are made. Alternatively, other forms of student debt payments could raise the amount of protected income under IDR, lifting the floor before monthly payment obligations are triggered so that the baseline considers these other expenses. Each of these paths would bring IDR's payment calculations closer in line with what the legislators who crafted the protection intended—that IDR would address the cost of higher education comprehensively, and not just as it relates to the burden of federal student loans.[110]

Conclusion

Income-driven repayment is meant to play a key role in driving student loan affordability across the board. Until now, however, glaring holes in IDR's design have prevented the protection from fulfilling its promise. IDR's current payment calculations do not provide enough buffer for low to middle-income households to withstand such basic financial pressures as regional variation in necessary expenses, the burden of private student loans, the cost of childcare, or unexpected medical expenses without having to choose between life necessities and student loan bills.

For IDR to live up to its potential, it will need to take a far more holistic view of borrowers' financial situations and what borrowers across the country may actually find affordable. That means accounting not just for the share of discretionary income that will be owed under IDR, as the Biden administration has already indicated it intends to, but also for the share of income that will be protected from student loan expenses in the first place. Until such considerations are made, for many borrowers, the promise of student loan affordability through IDR will remain broken.

Endnotes

[1] *See*, SBPC estimate based on data available from: *Student Loans By State*, Fed. Res. Bank of N.Y., https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/student-loan-by-state.xlsx (last accessed Sept. 3, 2021) (finding that the average student loan balance is $35,530.16); Fed. Res. Bank of N.Y., *2018 Student Loan Update* (2018), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/sl_update_2018.xlsx (finding that roughly one-in-five borrowers owes at least $50,000); Fed. Res. Bank of N.Y., *Quarterly Report on Household Debt and Credit* (Aug. 2021), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd_c_report_2020q2.xlsx (finding that student loan delinquency before the coronavirus crisis was 21 percent higher than the rate of mortgage delinquency at the peak of the Great Recession); Ben Kaufman, *New Data Show Student Loan Defaults Spiked in 2019 – A Warning to Industry and DeVos Amid Economic Fallout*, Student Borrower Prot. Ctr. (Mar. 13, 2020) https://protectborrowers.org/every-26-seconds/ (finding that a borrower defaulted on a federal student loan every 26 seconds in 2019).

[2] *See* Student Borrower Prot. Ctr., Driving Down Distress? *The Principles and Incomplete History of Income-Driven Repayment* (Sept. 2021), https://www.protectborrowers.org/idr-history.

[3] *See*, 138 Cong. Rec. 17002 (1992) (statement of Sen. Durenberger) https://www.govinfo.gov/content/pkg/GPO-CRECB-1992-pt12/pdf/GPO-CRECB-1992-pt12-4-1.pdf ("The most important principle in the legislation I introduced is that student loan payments should be tied to post-college income--easing cash-flow burdens on students and dramatically reducing current levels of student loan defaults."); 138 Cong. Rec. 18278 (1992) (statement of Rep. Gejdenson) https://www.govinfo.gov/content/pkg/GPO-CRECB-1992-pt13/pdf/GPO-CRECB-1992-pt13-3.pdf ("Since 35 percent of the schools involved in the pilot program will offer students an income-contingent repayment schedule, borrowers will find that their loan payments are more reasonable. This progressive system guarantees that borrowers at all income levels will not pay more per month than they can afford.").

[4] Durenberger, *supra* note 3.

[5] *See generally*, Consumer Fin. Prot. Bureau, *Data Point: Borrower Experiences on Income-Driven Repayment* (Nov. 2019), https://files.consumerfinance.gov/f/documents/cfpb_data-point_borrower-experiences-on-IDR.pdf.

[6] *See*, Daniel Herbst, *Liquidity and Insurance in Student Loan Contracts: The Effects of Income-Driven Repayment on Default and Consumption* (Apr. 27, 2018), http://conference.iza.org/conference_files/Education_2018/herbst_d26912.pdf.

[7] *Id.*

[8] Holger M. Muller and Constantine Yannelis, *Students in Distress: Labor Market Shocks, Student Loan Default, and Federal Insurance Programs*, Nat'l Bureau of Econ. Rsrch., Working Paper Series (Mar. 2017), https://www.nber.org/papers/w23284.

[9] *See generally*, Ben Kaufman, *Setting the Record Straight: ED's Failures in Student Borrower Protection*, Student Borrower Prot. Ctr. (Nov. 26, 2019), https://protectborrowers.org/setting-the-record-straight-eds-failures-in-student-borrower-protection/.

[10] *See, e.g.*, Persis Yu, *Delivering on Debt Relief: Relief for Borrowers in Income Driven Repayment,* Student Borrower Prot. Ctr. 79 nn.12 & 14, 80 nn. 16-19 (Nov. 2020) (regarding servicers' "processing delays, inaccurate denials, lost paperwork, and insufficient information or guidance"), https://protectborrowers.org/wp-content/uploads/2020/12/Delivering-on-Debt-Relief.pdf#page=79.

[11] Ben Kaufman, *New Data Show Borrowers of Color and Low-Income Borrowers are Missing Out on Key Protections, Raising Significant Fair Lending Concerns*, Student Borrower Prot. Ctr. (Nov. 2, 2020), https://protectborrowers.org/new-data-show-borrowers-of-color-and-low-income-borrowers-are-missing-out-on-key-protections-raising-significant-fair-lending-concerns/.

[12] *Income-Driven Repayment Plans*, Fed. Student Aid, https://studentaid.gov/manage-loans/repayment/plans/income-driven.

[13] *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, Cong. Rsch. Serv., R45931 (Sept. 24, 2019), https://fas.org/sgp/crs/misc/R45931.pdf#page=46 ("The portion of a borrower's income that is below the federal poverty guideline multiple that is applicable to a particular IDR plan may be considered nondiscretionary income, or income that may be needed for purposes of meeting certain basic needs such as food and shelter.")

[14] Notably, other programs for distressed student loan borrowers do specifically address these expenses. *See*, *e.g.*, *Instructions for Loan Rehabilitation Income and Expense Information*, Fed. Student Aid, https://studentaid.gov/manage-loans/default/get-out/rehabilitation-income-expense-instructions (wherein borrowers applying for rehabilitation for defaulted loans are asked to provide information about expenses including the amount spent on food, housing, utilities, basic communication such as telephone and internet services, necessary medical and dental care, child and dependent care, and more).

[15] Sarah Sattelmeyer and Jon Remedios, *Race and Financial Security Play Central Roles in Student Loan Repayment*, Pew Charitable Trusts (Dec. 15, 2020), https://www.pewtrusts.org/en/research-and-analysis/articles/2020/12/15/race-and-financial-security-play-central-roles-in-student-loan-repayment; Cristina Novoa, *How Childcare Disruptions Hurt Parents of Color Most*, Center for American Progress (June 29, 2020), https://www.americanprogress.org/issues/early-childhood/news/2020/06/29/486977/child-care-disruptions-hurt-parents-color/; Jamila Taylor, *Racism, Inequality, and Health Care for African Americans*, The Century Foundation (Dec. 19, 2019), https://tcf.org/content/report/racism-inequality-health-care-african-americans/?session=1.

[16] Yu, *supra* note 10, at 76.

[17] SBPC calculation.

[18] Gejdenson, *supra* note 3.

[19] *The Biden Plan for Education Beyond High School,* Biden Harris Democrats, https://joebiden.com/beyondhs/ [https://perma.cc/EAT4-V6UJ].

[20] Cong. Rsch. Serv., *supra* note 13.

[21] *Consumer Expenditure Surveys*, U.S. Bureau of Labor Statistics, https://www.bls.gov/cex/tables.htm#MSA.

[22] *See* Cong. Rsch. Serv., *supra* note 13 (explaining how IDR payments are calculated).

[23] SBPC calculations based on *Where Our Money Goes*, ADT, https://www.adt.com/where-our-money-goes [https://web.archive.org/web/20210811113335/https://www.adt.com/where-our-money-goes].

[24] *Id.*

[25] *Rent Report, August 2021: the State of the Rental Market*, Apartment Guide (Aug. 2021), https://www.apartmentguide.com/blog/apartment-guide-annual-rent-report/ [https://perma.cc/7FFS-7TYR].

[26] *Student Loans By State*, Fed. Res. Bank of N.Y., *supra* note 1.

[27] *Student Loan Repayment: The Grace Period*, Fed. Student Aid, https://studentaid.gov/manage-loans/repayment#grace.

[28] U.S. Bureau of Labor Statistics, *Selected southern metropolitan statistical areas: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2018-2019*, (Sept. 2020) https://www.bls.gov/cex/2019/msas/south.pdf.

[29] *Id*, note that these are mean values.

[30] *Id.*

[31] SBPC calculation. Because the Bureau of Labor Statistics does not supply average tax expenditure statistics at the metro statistical area level, and for simplicity, tax obligations are not considered here. Note that a cursory analysis imposing regional-level average tax obligations on metro statistical area level data related to income and average expenditure leads borrowers in several cities to face negative net incomes even before any consideration of student debt, pointing to a likelihood of high levels of borrower distress. *See Consumer Expenditure Surveys*, U.S. Bureau of Labor Statistics, https://www.bls.gov/cex/tables.htm#region.

[32] SBPC calculation. Assumes $37,900 balance, 4 percent interest, and daily compounding over 10 years.

[33] *Loan Simulator*, Fed. Student Aid, https://studentaid.gov/loan-simulator. Assumes $62,894 salary, no dependents, residence in Florida, 5 percent annual income growth, $37,900 in Direct Unsubsidized loans at 4 percent interest, no PSLF eligibility, and the "primary repayment goal" of "Have a Low Monthly Payment."

[34] Fed. Student Aid, *supra* note 12.

[35] *Income-Driven Repayment Plan Request*, Fed. Student Aid, https://studentaid.gov/app/ibrInstructions.action?utm_medium=paid_search&utm_source=google&utm_campaign=camp_95&utm_content=idr_ad_1&gclid=Cj0KCQiA_qD_BRDiARIsANjZ2LBaX9CFmEXL2AE8sgfIxIMhcoH1MdOt4DI_9beQ7nyB6rEUEnzVWF4aAi-JEALw_wcB ("Income-driven repayment (IDR) plans are designed to make your student loan debt more manageable by reducing your monthly payment amount.").

[36] SBPC calculations.

[37] *Id.*

[38] *Id.*

[39] SBPC estimate based on *Federal Student Aid Portfolio*, Fed. Student Aid, https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls; *2019 Survey of Consumer Finances*, Fed. Res. Board, https://www.federalreserve.gov/econres/scfindex.htm.

[40] Kevin Wack, *What Biden's Pledge to Forgive Student Loans Means for Consumer Lenders*, American Banker (Dec. 11, 2020), https://www.americanbanker.com/news/what-bidens-pledge-to-forgive-student-loans-means-for-consumer-lenders.

[41] Kat Welbeck, *Communities of Color in Crisis: Examining Racial Disparities in Student Loan Debt and Borrower Outcomes*, Student Borrower Prot. Ctr. (Jan. 8, 2020), https://protectborrowers.org/communities-of-color-in-crisis-examining-racial-disparities-in-student-loan-debt-and-borrower-outcomes/.

[42] Ben Kaufman, *New Data Show Dramatic Disparities for Borrowers of Color with Private Student Loans*, Student Borrower Prot. Ctr. (Oct. 14, 2020), https://protectborrowers.org/new-data-show-dramatic-disparities-for-borrowers-of-color-with-private-student-loans/.

[43] *Report on the Economic Wellbeing of U.S. Households in 2020*, Fed. Res. Board (May 19, 2021), https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-student-loans.htm.

[44] *Shadow Student Debt,* Student Borrower Prot. Ctr. (July 2020), https://protectborrowers.org/shadow-student-debt-report/.

[45] *Subsidized and Unsubsidized Loans*, Fed Student Aid, https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized.

[46] Note that this balance is implied based on typical monthly private student loan payments and interest rates for borrowers in the hypothetical situation presented here. *See supra* note 40; *infra* note 53.

[47] U.S. Bureau of Labor Statistics, *Selected western metropolitan statistical areas: Average annual expenditures and characteristics*, Consumer Expenditure Survey, 2018-2019, https://www.bls.gov/cex/2019/msas/west.pdf. As above, tax obligations are not considered. *See supra* note 31.

[48] Catherine Reagor, *Phoenix Home Prices Have Climbed 130% in 10 Years. What's to Come?*, AZCentral (Mar. 22, 2019), https://www.azcentral.com/story/money/real-estate/catherine-reagor/2019/03/22/metro-phoenix-home-prices-up-130-percent-decade/3212914002/ [https://web.archive.org/web/20210811121937/https://www.azcentral.com/story/money/real-estate/catherine-reagor/2019/03/22/metro-phoenix-home-prices-up-130-percent-decade/3212914002/].

[49] Fed. Student Aid, *supra* note 33.

[50] *Id*. Assumes $74,635 salary, no dependents, residence in Arizona, 5 percent annual income growth, $57,500 in Direct Unsubsidized loans at 4 percent interest, no PSLF eligibility, and the "primary repayment goal" of "Have a Low Monthly Payment." This produces a monthly IDR payment of $461. Compare to a $57,500 student loan in normal repayment at 4 percent interest over 10 years with daily compounding.

[51] SBPC calculations based on *Selected Western Metropolitan Statistical Areas, supra* note 47; Fed Student Aid, *supra* note 33.

[52] SBPC calculations.

[53] SBPC calculations. Note that 7 percent interest is in line with average interest rates available to private student loan borrowers, and is likely a conservative estimation given that the borrower in this example has no cosigner. *See* Matt Carter, *Average Student Loan Interest Rates in 2021*, Credible (May 12, 2021),

https://www.credible.com/blog/refinance-student-loans/what-are-average-student-loan-interest-rates/ [https://web.archive.org/web/20210811120812/https://www.credible.com/blog/refinance-student-loans/what-are-average-student-loan-interest-rates/]. Note that in-school accruals are ignored here for simplicity. *See also supra* note 40.

[54] SBPC calculations.

[55] *See, e.g.*, Stephen J. Rose, *Good Debt: Why Student Loans Are Better for You than You Think*, The Atlantic (Sept. 4, 2012), https://www.theatlantic.com/business/archive/2012/09/good-debt-why-student-loans-are- better-for-you-than-you-think/261918/ [https://perma.cc/VG7P-JVBC]; Christopher Shea, *Don't Listen to Those Scary Tales of Student-Loan Woe*, The Washington Post (Mar. 21, 2013), https://www.washingtonpost.com/opinions/dont-listen-to-those-scary-tales-of-student-loan-woe/2013/03/21/0a94b134-90a2-11e2-bdea-e32ad90da239_story.html?utm_term=.174e64 d10da9 [https://perma.cc/DN3L-EHPZ].

[56] Fed. Student Aid, s*upra* note 35.

[57] Tariq Habash, *The CARES Act Leaves Behind Millions of Student Loan Borrowers*, Student Borrower Prot. Ctr. (Mar. 27, 2020), https://protectborrowers.org/the-cares-act-leaves-behind-millions-of-student-loan-borrowers/ (estimating that there are 6.35 million total private student loan borrowers in the U.S.).

[58] SBPC calculations.

[59] SBPC estimate. *See* Fed. Res. Board and Fed. Student Aid, *supra* note 39.

[60] Mark Lino, U.S. Dep't. of Agric., *The Cost of Raising a Child* (Feb. 18, 2020), https://www.usda.gov/media/blog/2017/01/13/cost-raising-child.

[61] *Id.*

[62] Eric Morath, *Soaring Child-Care Costs Squeeze Families*, Wall Street J. (Jul. 1, 2016), https://www.wsj.com/articles/soaring-child-care-costs-squeeze-families-1467415411.

[63] Anna Halkidis, *Child Care Costs Have Risen More Than 40 Percent During the Pandemic, Report Finds*, Parents (Jan. 15, 2021) https://www.parents.com/news/child-care-costs-have-risen-more-than-40-percent-during-the-pandemic-report-finds/.

[64] *This is how much childcare costs in 2021*, Care.com (Jun. 10, 2021), https://www.care.com/c/how-much-does-child-care-cost.

[65] Fed. Student Aid, *supra* note 12.

[66] Rachel Fishman, *College Decisions Survey: Deciding to Go to College*, New Am. (May 28, 2015), https://www.newamerica.org/education-policy/edcentral/collegedecisions/.

[67] *Student Loans By State*, Fed. Res. Bank of N.Y., *supra* note 1.

[68] U.S. Bureau of Labor Statistics, *supra* note 47.

[69] *Id.*

[70] SBPC calculations based on U.S. Bureau of Labor Statistics, *supra* note 47. Loan calculation assumes a $33,000 student loan balance, 4 percent interest, 10 years of repayment, and daily compounding.

[71] *Id.*

[72] *Childcare Costs by State 2020,* Procare Solutions (Jun. 24, 2020), https://www.procaresoftware.com/child-care-costs-by-state-2020/.

[73] Fed. Student Aid, *supra* note 12.

[74] Note that for borrowers already in default, the federal government's loan rehabilitation program considers life expenses ranging from spending on food, housing, and utilities to necessary medical care and childcare when determining an appropriate payment amount. *See supra* note 14 (wherein borrowers applying for rehabilitation for defaulted loans are asked to provide information about expenses including the amount spent on food, housing, utilities, basic communication such as telephone and internet services, necessary medical and dental care, child and dependent care, and more).

[75] Fed. Student Aid, *supra* note 33. Assumes $94,235 salary, one dependent, residence in Alaska, 5 percent annual income growth, $33,000 in Direct Unsubsidized loans at 4 percent interest, no PSLF eligibility, and the "primary repayment goal" of "Have a Low Monthly Payment."

[76] *Id.*

[77] *Id.*

[78] SBPC calculations. Assumes the terms of REPAYE aside from using 300 percent of poverty guidance as a threshold for discretionary income.

[79] *Trends in healthcare spending*, Am. Med. Ass'n (last accessed Sept. 1, 2021), https://www.ama-assn.org/about/research/trends-health-care-spending.

[80] David U. Himmelstein and Steffie Woolhadler, *New medical bankruptcy study: Two-thirds of filers cite illness and medical bills as contributors to financial ruin*, Physicians for a National Health Program (Feb. 7, 2019) http://pnhp.org/news/new-medical-bankruptcy-study-two-thirds-of-filers-cite-illness-and-medical-bills-as-contributors-to-financial-ruin.

[81] SBPC estimate. *See* Fed. Res. Board and Fed. Student Aid, *supra* note 39 (note that within the Survey of Consumer Finances, variable x6341 is used here).

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[84] U.S. Bureau of Labor Statistics, *Selected northeastern metropolitan statistical areas: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2018-2019* (Sept. 2020), https://www.bls.gov/cex/2019/msas/norteast.pdf.

[85] *Student Loans By State*, Fed. Res. Bank of N.Y., *supra* note 1.

[86] *Supra* note 84.

[87] SBPC calculations based on Bureau of Labor Statistics *supra* note 84. Loan calculation assumes a $34,400 student loan balance, 4 percent interest, 10 years of repayment, and daily compounding.

[88] *How Much Does ACL Surgery Cost?*, healthgrades, https://www.healthgrades.com/right-care/acl-surgery/how-much-does-acl-surgery-cost (last accessed Sept. 2, 2021).

[89] Anna Poretta, *How Much Does Individual Health Insurance Cost?*, eHealth (Nov. 24, 2020), https://www.ehealthinsurance.com/resources/individual-and-family/how-much-does-individual-health-insurance-cost.

[90] Fed. Student Aid, *supra* note 12.

[91] *See supra* note 14.

[92] *Student Loan Forbearance,* Fed. Student Aid, https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance ("You can request a general forbearance if you are temporarily unable to make your scheduled monthly loan payments for the following reasons: … Medical expenses").

[93] *Id.*

[94] Fed. Student Aid, *supra* note 33. Assumes $104,623 salary, a spouse with whom the borrower files jointly, one dependent child, resident in Massachusetts, 5 percent annual income growth, $34,400 in Direct Unsubsidized loans at 4 percent interest, no PSLF eligibility, and the "primary repayment goal" of "Have a Low Monthly Payment."

[95] *Id.*

[96] *Supra* note 12. ("If your income is low enough, your payment could be as low as $0 per month.").

[97] Fed. Student Aid, *supra* note 33. Assumes $52,312 spousal income and $0 individual income, a spouse with whom the borrower files jointly, one dependent child, resident in Massachusetts, 5 percent annual income growth, $34,400 in Direct Unsubsidized loans at 4 percent interest, no PSLF eligibility, and the "primary repayment goal" of "Have a Low Monthly Payment."

[98] SBPC calculations.

[99] Judith Scott-Clayton, *The Looming Student Loan Default Crisis Is Worse than We* Thought, The Brookings Inst. (Jan. 11, 2018), https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/ ("Debt and default among black college students is at crisis levels, and even a bachelor's degree is no guarantee of security: black BA graduates default at five times the rate of white BA graduates (21 versus 4 percent), and are more likely to default than white dropouts."); Kaufman, *supra* note 42 ("Almost 24 percent of Black borrowers with private student loans report having fallen behind on at least one private student loan due to economic hardship, nearly four times higher than the proportion of white borrowers."); Rajashri Chakrabarti et al., *Measuring Racial Disparities in Higher Education and Student Debt Outcomes*, Fed. Res. Bank of N.Y.: Liberty St. Econ. (July 8, 2020), https://libertystreeteconomics.newyorkfed.org/2020/07/measuring-racial-disparities-in-higher-education-and-student-debt-outcomes.html ("Overall, borrowers living in majority Black and majority Hispanic zip codes are much more likely to default on student debt by age 30. Two-year college borrowers in majority Black areas default at 1.9 times the rate of those in majority white areas, and those in majority Hispanic areas default 1.7 times as often as residents in majority white areas. The ratios of default rates among four-year borrowers are very similar. Nationwide default rates are highest for those living in majority Black zip codes and just 1-2 percentage points lower for individuals living in majority Hispanic areas, both for two-year and four-year borrowers.").

[100] Consumer Fin. Prot. Bureau, *Consumer credit reports: A study of medical and non-medical collections* (Dec. 2014), https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf; *Report on the Economic Well-Being of U.S. Households*, Fed. Res. Bank (last accessed Sept. 9, 2021) https://www.federalreserve.gov/consumerscommunities/sheddataviz/unexpectedexpenses.html.

[101] SBPC calculations.

[102] Durenberger, *supra* note 3.

[103] Student Borrower Prot. Ctr., *supra* note 2.

[104] Gordon M. Fisher, Off. of the Assistant Sec'y of Planning and Evaluation, *Poverty Lines and Measures of Income Inadequacy in the United States Since 1870: Collecting and Using a Little-Known Body of Historical Material* (Oct. 17, 1997), https://aspe.hhs.gov/poverty-lines-measures-income-inadequacy-united-states-1870.

[105] *2021 Child Tax Credit and Advance Child Tax Credit Payments*, Internal Revenue Serv., https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-c-calculation-of-the-2021-child-tax-credit (last accessed Sept. 1, 2021).

[106] 26 U.S.C. § 36B. (In general, the Affordable Care Act offers a "premium tax credit" to help households with incomes at 100 percent to 400 percent of the federal poverty guideline afford health insurance.).

[107] Michelle Dimino, Shelbe Klebs, Michael Itzkowitz, and Tamara Hiler, *Fixing Our Broken Student Loan System*, Third Way, (Aug. 11, 2021), https://www.thirdway.org/memo/fixing-our-broken-student-loan-system.

[108] *See*, *e.g.*, *Repay student debt*, Consumer Fin. Prot. Bureau, https://www.consumerfinance.gov/paying-for-college/repay-student-debt/ (last accessed Sept. 3, 2021).

[109] *The Recovery of Credit Applications to Pre-Pandemic Levels*, Consumer Fin. Prot. Bureau (Jul. 27, 2021), https://files.consumerfinance.gov/f/documents/cfpb_recovery-of-credit-applications-pre-pandemic-levels_report_2021-07.pdf.

[110] *See, e.g.*, 138 Cong. Rec. 17007 (1992) (statement of Sen. Bradley) https://www.govinfo.gov/content/pkg/GPO-CRECB-1992-pt12/pdf/GPO-CRECB-1992-pt12-4-1.pdf ("Universal access and income-contingent repayment harness the value of a college education to get past the hurdle of paying for it").