STUDENT BORROWER PROTECTION CENTER

April 28, 2025

Chairman Tim Walberg
House Committee on Education and Workforce
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, DC 20515

Ranking Member Bobby Scott
House Committee on Education and Workforce
U.S. House of Representatives
2101 Rayburn House Office Building
Washington, DC 20515

RE: Preliminary Economic Analysis of Proposal on Student Loan Repayment

Dear Chairman Walberg and Ranking Member Scott,

The purpose of this letter is to offer a preliminary economic analysis of the legislative proposal unveiled by Chairman Walberg on Monday, April 28, 2025, specifically with respect to the significant changes the bill would make to available student loan repayment options. Based on our review of this proposal, contrasted with the benefits and protections available to borrowers under the Saving on a Valuable Education (SAVE) repayment plan, **we found that a typical borrower will see monthly student loan costs spike by hundreds of dollars per month, or thousands of dollars per year.**

Specifically, we estimate that:

I. **A typical current student loan borrower with a college degree will be forced to pay an additional $2,928 per year** in student loan payments should Congress enact this proposal, when compared to the SAVE plan.[1]

[1] Student Borrower Protection Center, *Preliminary Analysis of House Student Loan Repayment Changes* (April 28, 2025), on file with author. This analysis assumes a typical student loan borrower with a bachelor's degree earns the

II. **A typical current student loan borrower with some college but no degree would be forced to repay an additional $1,761 per year** should Congress enact this proposal, when compared to the SAVE plan.[2]

For borrowers with children, the contrast is even more stark.

I. **A typical family of four headed by a borrower with a bachelor's degree would be forced to pay an additional $4,786 per year** should Congress enact this proposal, when compared to the SAVE plan.[3]

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median income for a bachelor's recipient in 2024, according to the Bureau of Labor Statistics ($80,263), and owes an average amount of student debt for a borrower in the fourth quarter of 2024, according to the Office of Federal Student Aid ($38,374). We also assume that this debt has an interest rate of 6.3%. For this borrower, the proposed legislation would not offer any payment relief under the new Repayment Assistance Program, defaulting the borrower to a standard 10-year payment plan monthly payment ($432/month or $5,181.96 annually). We contrast this payment with the payment owed under the SAVE Plan ($188/month or $2,256 annually), finding that under the current proposal a typical single borrower with a bachelor's degree would repay $244 more per month, or $2,928/year.

[2] Student Borrower Protection Center, *Preliminary Analysis of House Student Loan Repayment Changes* (April 28, 2025), on file with author. This analysis assumes a typical student loan borrower with some college and no degree earns the median income for a worker with some college in 2024, according to the Bureau of Labor Statistics ($53,040) and owes an average amount of student debt for a borrower in the fourth quarter of 2024, according to the Office of Federal Student Aid ($38,374). We also assume that this debt has an interest rate of 6.3%. For this borrower, the proposed legislation would offer some payment relief under the new Repayment Assistance Program ($221/month or $2,652 annually) when compared to a standard 10-year payment plan monthly payment ($431.83/month or $5,181.96 annually). We contrast the RAP payment with the payment owed under the SAVE Plan ($74/month or $891 annually), finding that under the current proposal a typical single borrower with debt and no degree would repay $147 more per month or $1,761 per year.

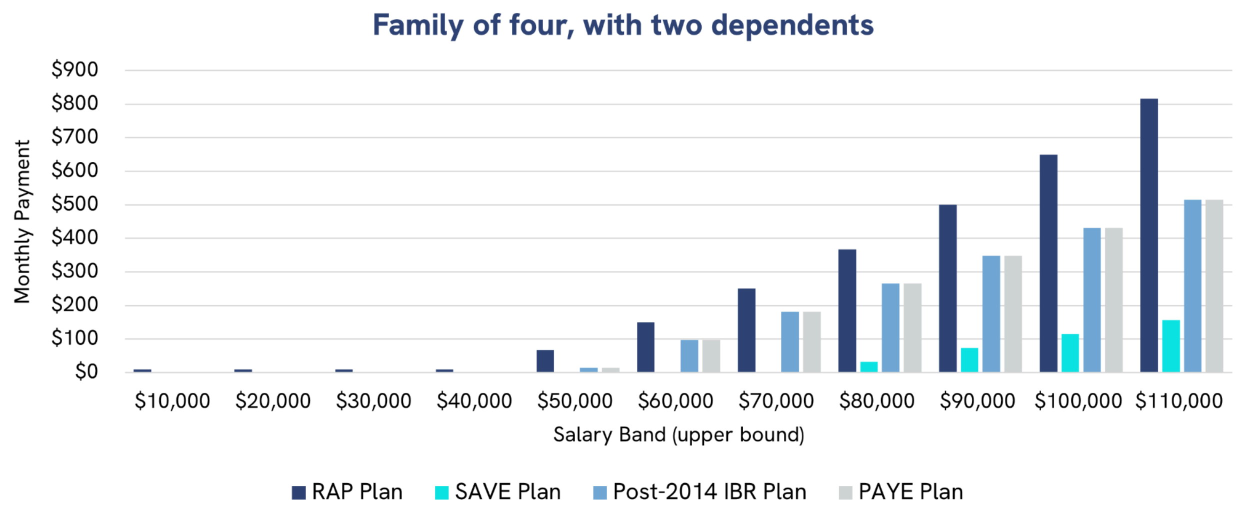
[3] Student Borrower Protection Center, *Preliminary Analysis of House Student Loan Repayment Changes* (April 28, 2025), on file with author. This analysis assumes a typical student loan borrower with a bachelor's degree earns the median income for a bachelor's recipient in 2024, according to the Bureau of Labor Statistics ($80,263) and owes an average amount of student debt for a borrower in the fourth quarter of 2024, according to the Office of Federal Student Aid ($38,374). We also assume that this debt has an interest rate of 6.3%. For this borrower, the proposed legislation would not offer any payment relief under the new Repayment Assistance Program, defaulting the borrower to a standard 10-year payment plan monthly payment ($431.83/month or $5,181.96 annually). We contrast this payment with the payment owed under the SAVE Plan ($33/month or $396 annually), finding that under the current proposal a typical single borrower with a bachelor's degree would repay $399 more per month, or $4,786/year.

II. **A typical family of four headed by a borrower with some college and no degree would be forced to pay an additional $1,452 per year** should Congress enact this proposal, when compared to the SAVE plan.[4]

Eight million borrowers last made payments under the SAVE plan in July 2024 and have had their ability to pay suspended for approximately nine months as a result of partisan lawsuits challenging the program. As a result, these borrowers will experience an immediate and unprecedented payment shock as their monthly payments jump **from $0 per month to $431** for a typical single student loan borrower with a college degree**—an annual increase of more than $5,000.**[5]

As the following chart demonstrates, families across income levels will pay more money each month under the current proposal than under the SAVE plan.[6] Additionally, the current proposal would impose higher monthly payments for borrowers and their families than almost every other payment plan.[7]

[4] Student Borrower Protection Center, *Preliminary Analysis of House Student Loan Repayment Changes* (April 28, 2025), on file with author. This analysis assumes a typical student loan borrower with some college and no degree earns the median income for a worker with some college in 2024, according to the Bureau of Labor Statistics ($53,040) and owes an average amount of student debt for borrower in the fourth quarter of 2024, according to the Office of Federal Student Aid ($38,374). We also assume that this debt has an interest rate of 6.3%. For this borrower, the proposed legislation would offer some payment relief under the new Repayment Assistance Program ($121/month or $1,452 annually) when compared to a standard 10-year payment plan monthly payment ($431.83/month or $5,181.96 annually). We contrast the RAP payment with the payment owed under the SAVE Plan ($0/month or $0 annually), finding that under the current proposal a typical single borrower with debt and no degree would repay $121 more per month or $1,452 per year.
[5] Supra note 1.
[6] Student Borrower Protection Center, *Preliminary Analysis of House Student Loan Repayment Changes* (April 28, 2025), on file with author.
[7] The only payment plan which we found to be consistently more expensive than the proposed plan is Income-Contingent Repayment (ICR), which often expects borrowers to repay a flat 20% of their annual income each year, after subtracting 100% of the federal poverty line.



A robust body of research shows that student debt crowds out a range of other economic activity, including homeownership, down payment accumulation, and retirement savings.[8] For borrowers experiencing financial distress, small financial shocks can result in housing insecurity, food insecurity, and homelessness—a series of financial consequences that will predictably occur should the Department of Education be required to collect hundreds of dollars more per month from the most financially vulnerable borrowers.[9]

A growing chorus of economists and financial analysts predict the U.S. economy will enter a recession in 2025, just as these changes are slated to go into effect. Given the increasing likelihood of slowing economic growth, slack in the labor market, and countercyclical increases in educational enrollment, it is important for policymakers to consider the macroeconomic impact of these policy changes. Specifically with respect to the eight million borrowers whose payments are currently paused due to litigation around the SAVE plan, **the current proposal will**

[8] For further discussion see, Persis Yu, *Testimony before the Senate Committee on Banking, Housing, and Urban Affairs* (2024), https://protectborrowers.org/wp-content/uploads/2024/04/Final-Written-Testimony_PersisYu_MOHELA-Hearing_04-10-2024.pdf ("Rising levels of student debt have kept borrowers from owning homes, depressed wages, and savings, while increasing credit card debt. Borrowers are less able to save for retirement, exacerbating the growing threat of intergenerational student borrowing…").
[9] See Fouzia, Steinbaum, Jiménez and Glater, *Financial Hardship Among Student Borrowers* (December 2023), https://www.slli.org/databrief3.

force these families to repay approximately $41.5 billion in additional loan payments in the first year alone.[10] This is also $41.5 billion that will be diverted away from household expenses like buying groceries, paying off rent or mortgages and car loans, and other purchases that help grow the economy.

Under existing law, all borrowers with very low or no income are entitled to pay $0 per month under a range of existing loan repayment options. This structure benefits both borrowers and the student loan system at large. By allowing borrowers to electronically opt-out of repayment when unemployed, student loan servicers can divert customer service resources to other borrowers who may require higher-touch loan servicing. The proposal scheduled to be considered by the committee tomorrow will have the opposite effect—requiring servicers to divert significant resources toward collecting a nominal amount of money from the lowest-income borrowers. This is a lose-lose proposition for the government and for borrowers.

As the committee considers this legislation, it is clear that a vote for this bill is a vote to saddle millions of borrowers across the country with more student loan debt, at the same moment that a slowing economy, a reckless trade war, and spiraling costs of living squeeze working families from every direction.

If you have any questions about this analysis or wish to discuss further, please contact Aissa Canchola Bañez (aissa@protectborrowers.org) or Jennifer Zhang (jenn@protectborrowers.org).

Sincerely,

Mike Pierce
Executive Director
Student Borrower Protection Center

[10] Supra note 1, This vastly understates the economic headwinds likely created by the current proposal. Across the student loan system, nearly every student loan borrower will pay more for their student loans when compared to the status quo.