



MEMORANDUM

July 9, 2025

TO: Interested Parties
FROM: Student Borrower Protection Center
RE: **More Broken Promises to Working Families with Student Debt**

OVERVIEW

Today, Trump Education Secretary Linda McMahon quietly instructed student loan companies to begin charging interest to nearly 8 million student loan borrowers beginning on August 1st. These borrowers had previously invoked their right under federal law to make payments based on their income, but—due to a mix of right-wing lawfare, mismanagement by the Trump Administration, and student loan industry abuses—these borrowers have been trapped in an extended, interest-free payment pause for more than one year.

Despite representations by the U.S. Department of Education (the Department) to the contrary, no federal or state court—including 8th Circuit Court of Appeals—has issued an order instructing the Department to resume charging these borrowers interest or calling into question the Secretary’s authority to waive interest accrual for borrowers whose payments have been suspended.

The following memorandum offers context and analysis demonstrating the significant, ongoing financial harm the Trump Administration will cause these borrowers and the broader economy. In short, the Student Borrower Protection Center estimates that a typical borrower affected by this Trump Administration policy change will incur more than **\$3,500 in unnecessary interest charges per year** or roughly **\$300 per month**.

In the aggregate, **the Trump Administration will pass on more than \$27 billion in unnecessary costs to working families with student debt** in the next 12 months alone.

DISCUSSION AND ANALYSIS

Based on the most recent government data available, 7.84 million people had enrolled in the Saving on a Valuable Education (SAVE) plan as of March 31, 2025.¹ In the aggregate, these borrowers owe \$439.7

¹ U.S. Department of Education, Federal Student Aid Portfolio (Accessed July 9, 2025), <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/DLPortfolioByRepaymentPlan.xls>.

billion in student loan debt.² As a result of baseless right-wing lawsuits, government mismanagement, and abuses by student loan servicers, these borrowers remain in limbo today.

I. No Court Has Ordered ED to Resume Interest Charges

On July 18, 2024, the U.S. Court of Appeals for the 8th Circuit issued a stay requiring the Department to halt borrowers' access to the SAVE plan—an order converted into a longer-term injunction pending appeal on August 9, 2024.³ In response, the Department placed “millions” of borrowers into an interest-free “forbearance,” pausing their obligation to make monthly payments until the litigation is resolved (“the SAVE forbearance”).⁴ One year later, no court has ruled on the legality of this plan, though judges in the 11th and 8th Circuits have cited the interest-free forbearance as justification for temporarily suspending access to affordable loan payments while litigation progresses.⁵

No court has ordered the Department to resume charging interest to borrowers in the SAVE forbearance. On February 18, 2025, the U.S. Court of Appeals for the 8th Circuit upheld the District Court for the Eastern District of Missouri's preliminary injunction temporarily blocking the SAVE plan itself, and instructed the lower court to widen the injunction in accordance with its analysis.⁶ Nowhere in the 8th Circuit's opinion or order is there any discussion of the legality of the Department's temporary, interest-free SAVE forbearance.⁷

² *Id.*

³ See *Missouri v. Trump*, Judge Order, 8th Circuit Court of Appeals (July 18, 2024), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.805045608.0.pdf> and *Missouri v. Trump*, Opinion, 8th Circuit Court of Appeals (August 9, 2024), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.00805062708.3.pdf>. (“The Government is, for any borrower whose loans are governed in whole or in part by the terms of the Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program, 88 Fed. Reg. 43820, enjoined from any further forgiveness of principal or interest, from not charging borrowers accrued interest, and from further implementing SAVE's payment-threshold provisions. This injunction will remain in effect until further order of this court or the Supreme Court of the United States. The administrative stay is hereby superseded.”).

⁴ See *Missouri v. Trump*, Third Brief Reply Appellant/Cross Appellee, 8th Circuit Court of Appeals (October 7, 2024), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.805106796.0.pdf>. (“Millions of borrowers have already been thrust into prolonged uncertainty as their loans have been put into forbearance.”).

⁵ See, e.g., *Missouri v. Trump*, Opinion, 8th Circuit Court of Appeals (August 9, 2024), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.00805062708.3.pdf>. (“Among the considerations here are that all borrowers currently impacted by our administrative stay are in administrative forbearance and thus not required to pay principal *or interest* on their loans...” *emphasis added*); and *Missouri v. Trump*, Memorandum Opinion, 8th Circuit Court of Appeals (February 18, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.00805198399.3.pdf>. (“There is no doubt some harm to borrowers who are enrolled in the SAVE plan. This harm, however, is minimized by the fact their loans have been placed in forbearance...”).

⁶ See *Missouri v. Trump*, Memorandum Opinion, 8th Circuit Court of Appeals (February 18, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.00805198399.3.pdf>. (“In sum, we affirm the district court's entry of a preliminary injunction and remand for further proceedings and with instructions to modify the preliminary injunction to enjoin the entire SAVE Rule as well as the hybrid rule. The injunction pending appeal imposed by our order of August 9, 2024, will dissolve upon the district court's modification of its injunction.”).

⁷ *Id.*

On April 14, 2025, the lower court acted on the 8th Circuit's order, modifying its injunction and blocking the SAVE rule in its entirety, along with a subsequent housekeeping rule related to other income-driven repayment plans made using the same legal authority.⁸ Here again, the lower court did not opine on the legality of borrowers' interest waiver during the SAVE forbearance nor did it instruct the government to take any other action with respect to this temporary payment pause.⁹

Yet, on July 9, 2025, the Department claimed that a months-old court order by the 8th Circuit Court of Appeals forced it to resume charging interest to borrowers whose payments have been paused.¹⁰ This is wholly unsupported by the record in any pending court case.¹¹

It is also worth noting that the Trump Administration maintained this interest-free forbearance for the first six months of 2025, while lawmakers on Capitol Hill considered sweeping changes to the way borrowers repay student loans under the "One Big Beautiful" Bill.¹² Ultimately, Congress elected to preserve access to the SAVE plan for millions of current borrowers until 2028.¹³

The Department's purported reliance on a single federal court judge's decision must be reevaluated in light of recent decisions limiting the use of universal injunctions. The recent Supreme Court decision in

⁸ See *Missouri v. Trump, Order*, U.S. District Court for the Eastern District of Missouri (April 14, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.moed.211135/gov.uscourts.moed.211135.69.0.pdf>. ("IT IS HEREBY ORDERED that Defendants are preliminarily enjoined from implementing the Final Rule's SAVE plan and the hybrid rule that was implemented following the Court's previous preliminary injunction until such time as this Court can decide the case on the merits.").

⁹ *Id.*

¹⁰ Rebecca Carballo, *Borrowers in SAVE forbearance will accrue interest starting in August*, POLITICO Pro (July 9, 2025), <https://subscriber.politicopro.com/article/2025/07/borrowers-in-save-forbearance-will-accrue-interest-starting-in-august-00443494>. ("The agency has said in draft plans obtained by POLITICO it is resuming interest to comply with a February injunction, which reiterated the block on SAVE, including the forgiveness provisions, which subsequently blocked the administration from processing forgiveness for borrowers enrolled in PAYE and ICR plans as well."); and Akayla Gardner, *Nearly 8 Million US Student-Loan Borrowers to See Interest Charges Again*, Bloomberg News (July 9, 2025), <https://www.bloomberg.com/news/articles/2025-07-09/nearly-8-million-student-loan-borrowers-to-see-interest-charges-again?embedded-checkout=true>.

¹¹ It is also worth noting that the specific order cited by the Department does not instruct the government to take any action at all-- it orders a lower court to modify its injunction to address a set of issues unrelated to the accrual of interest for borrowers in forbearance and once that modification is complete, it dissolves its prior injunction in its entirety. See *Missouri v. Trump, Memorandum Opinion*, 8th Circuit Court of Appeals (February 18, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.ca8.109324/gov.uscourts.ca8.109324.00805198399.3.pdf>. ("In sum, we affirm the district court's entry of a preliminary injunction and remand for further proceedings and with instructions to modify the preliminary injunction to enjoin the entire SAVE Rule as well as the hybrid rule. The injunction pending appeal imposed by our order of August 9, 2024, will dissolve upon the district court's modification of its injunction.").

¹² For further discussion see Student Borrower Protection Center, *Letter to HELP Chairman Cassidy and Ranking Member Sanders* (2025), <https://protectborrowers.org/senate-republicans-double-down-on-houses-cruel-reconciliation-bill/>.

¹³ Inside Higher Education, *Trump Signs "Big Beautiful Bill" into Law Ushering in New Era for Higher Ed* (July 4, 2024), <https://www.insidehighered.com/news/government/politics-elections/2025/07/04/big-beautiful-bill-means-big-changes-higher-ed>. ("Starting in July 2026, new borrowers can enroll in a new income-driven repayment plan. Under the plan, borrowers will pay back their loan over 30 years. Some low-income borrowers could see payments as low as \$10. Previously borrowers could have paid \$0.").

Trump v. Casa limited trial and appellate courts' authority to issue sweeping, nationwide preliminary injunctions blocking federal government actions—a precedent that clearly applies to both the 8th Circuit's decision and the trial court's modified preliminary injunction in the SAVE litigation.¹⁴

II. Borrowers Will be Charged Tens of Billions in Unnecessary Student Loan Interest

The Student Borrower Protection Center projects that the policy decision by the Education Secretary Linda McMahon to restart interest charges **will cost a typical borrower more than \$3,500 per year or approximately \$300 per month.**¹⁵ Based on available data, we estimate that:

- **Nearly 8 million people will be charged \$27 billion in interest charges each year.**¹⁶ Many of these borrowers would have had most interest charges waived under both the SAVE plan and the new Repayment Assistance Plan included in the Republican reconciliation bill signed by President Trump last week. These borrowers will be forced to shoulder interest charges they should not owe under both Democratic and Republican frameworks for student loan repayment.¹⁷
- **Borrowers from working class families will bear the brunt of these costs.** We estimate that over 40% of the borrowers who would be forced to pay interest while in forbearance make under 225% of the federal poverty line.¹⁸ That is \$35,213 or less for single borrowers and up to \$72,338

¹⁴ For further discussion see, SCOTUSblog, *Trump v. CASA and the Future of the Universal Injunction* (July 2, 2025), <https://www.scotusblog.com/2025/07/trump-v-casa-and-the-future-of-the-universal-injunction/>. Readers should note that the government could petition the court to narrow the SAVE injunction, in line with this new binding precedent from the Supreme Court. Instead, it is choosing to follow right-wing judges' lead and deny borrowers' rights to affordable loan payments. Today's announcement takes this miscarriage of justice one step further, drowning these borrowers in unnecessary interest charges.

¹⁵ Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), *on file with author*. This estimate assumes that the current cohort of borrowers affected by this policy change is equivalent to all borrowers reported by the Department to be enrolled in SAVE as of the second quarter of fiscal year 2025 (7.84 million borrowers who collectively owe \$439.7 billion in student debt). This corresponds to an average balance of \$56,084 per borrower. We assume that these borrowers, on average, are being charged an interest rate of 6.3 percent, which is in between the historical average rate charged to undergraduate borrowers and the historical average rate charged to graduate students. As a result, we estimate that a typical borrower would incur \$3,533 in interest charges each year, or \$294 per month.

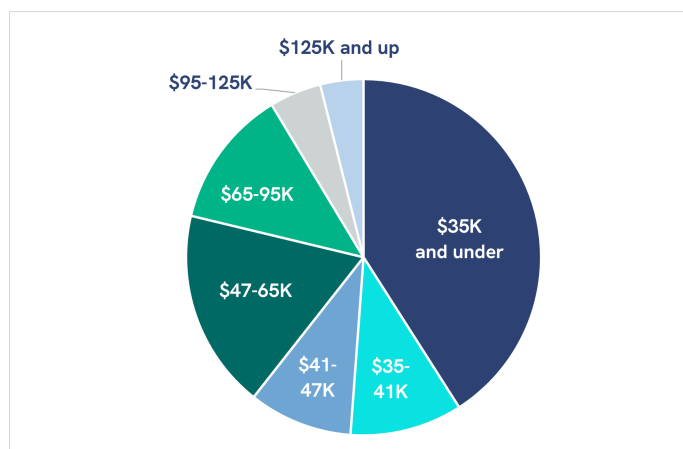
¹⁶ Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), *on file with author*. As described in the preceding footnote, we assume interest charges on \$439.7 billion in outstanding student debt are currently waived due to the SAVE forbearance. We assume that the average interest rate charged to a borrower with an affected loan is 6.3 percent. As a result, we estimate that the 7.84 million affected borrowers will be charged \$27,701,100,000 in unnecessary interest charges in the aggregate over 12 months, or \$2,308,425,000 per month.

¹⁷ Consider, for example, a borrower who has been unable to secure full-time employment, earning less than \$20,000 per year and who enrolled in SAVE in 2023. Under the SAVE plan, this borrower would pay nothing each month and her loans would not accrue interest over time. Under the recently-passed Repayment Assistance Plan included in the One Big, Beautiful Bill Act (OBBBA), this borrower would pay \$10 each month and her loans would not accrue interest over time. Because SAVE is currently unavailable to borrowers and because RAP is not going to be available until 2026, this borrower will have no choice but to watch her outstanding balance grow over time.

¹⁸ Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), *on file with author*. This is a best estimate based on limited public data from the Department. We assume that the income distribution of borrowers on SAVE is the same as the income distribution of borrowers in any IDR plan. We reverse-calculated the income bands of borrowers for whom the Federal Student Aid data center reported payment amount bands, using the SAVE monthly payment formula

for borrowers heading a household of 4. A 2023 analysis by the Biden Administration also found that the vast majority (75%) of the first wave of borrowers to enroll in SAVE used a Pell Grant to pay for college, meaning that these borrowers came from lower-income families.¹⁹

Fig. 1. Estimated income distribution of SAVE borrowers in forbearance



- **The lowest income borrowers will be charged more than \$3,000 per year in unnecessary interest.**²⁰ We project that 3.2 million borrowers currently in the SAVE forbearance have provided documentation that their income is low enough to qualify for a \$0 monthly payment.²¹

(where borrowers would pay a monthly share of 10% of the remainder after deducting 225% of the federal poverty line from their adjusted gross income). Specifically, we estimate that 40.94% of single SAVE borrowers who would experience interest accrual make \$35,213 or less; 10.24% make between \$35,214 and \$41,213; 9.45% make between \$41,214 and \$47,213; 18.11% make between \$47,214 and \$65,213; 12.60% make between \$65,214 and \$125,213; and 3.94% make \$125,214 and above.

¹⁹ Politico, *White House Says 5.5 Million Borrowers Enrolled in Biden's Student Loan Plan* (November 8, 2023), <https://www.politico.com/news/2023/11/08/white-house-says-5-5m-borrowers-enrolled-in-bidens-new-student-loan-plan-00126119>.

²⁰ The Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), on file with author. As described in the preceding footnote, for this estimate we assume the distribution of borrowers' monthly payments among the cohort of borrowers in the SAVE forbearance is equivalent to the distribution of borrowers' monthly payments for the Department's IDR portfolio as a whole in the first quarter of Fiscal Year 2025, as published by the Office of Federal Student Aid (the most recent government data available). Based on this assumption, we project that 40.94% of all borrowers in the SAVE forbearance and 34.83% of all dollars subject to the SAVE forbearance would have qualified for a zero dollar monthly payment and a waiver of all interest charges, using the SAVE monthly payment formula (where borrowers would pay a monthly share of 10% of the remainder after deducting 225% of the federal poverty line from their adjusted gross income and the government would waive all unpaid interest). Based on this projection, we estimate that 3,210,079 borrowers who collectively owe \$153,159,352,715 would have qualified for a zero dollar monthly payment and a waiver of all interest charges. The average borrower in this cohort owes \$47,712. Assuming these borrowers' loans are subject to an interest rate of 6.3 percent, the average borrower would be charged \$3,006 per year in unnecessary interest charges or \$250 per month.

²¹ The Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), on file with author. As described in the preceding footnote, we estimate that 3,210,079 borrowers who collectively owe \$153,159,352,715 would have qualified for a zero dollar monthly payment and a waiver of all interest charges.

We estimate that these borrowers collectively owe more than \$150 billion in student debt and will be charged nearly \$10 billion in interest each year in the aggregate.²²

- **More than 1.5 million applications for affordable loan payments remain unprocessed, trapping borrowers in an historic backlog with no way out.** The Department continues to encourage borrowers to enroll in other income-driven repayment options that remain available. However, as the Department documented in response to the lawsuit we filed on behalf of AFT, there is an unprecedented backlog of unprocessed IDR applications from borrowers seeking payment relief, including many looking to exit the SAVE forbearance. In its June 17, 2025 filing in this case, the government reports that 1,582,641 applications for IDR plans remain on file with student loan servicers and have yet to be processed.²³ When taking into account the new applications submitted during the month of May, the government only decreased the application backlog by 60,000 that month.²⁴ At this rate, the government will not be able to clear the IDR application backlog until April 2027.²⁵

Taken together, this analysis shows the breadth of the unnecessary economic harm caused by Secretary McMahon's decision to resume charging interest to borrowers who, through no fault of their own, have been denied a stable, long-term path to repay their loans and who remain unable to invoke their rights to affordable loan payments.

CONCLUSION

As the preceding memorandum demonstrates, this policy decision was made voluntarily by the Trump Administration and no court forced the Education Secretary to act. In total, this constitutes one of the largest economic policy decisions made to date by this administration and has the effect of siphoning tens of billions of dollars away from working people.

²² The Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), *on file with author*. As described in footnote 18, we estimate that 3,210,079 borrowers who collectively owe \$153,159,352,715 would have qualified for a zero dollar monthly payment and a waiver of all interest charges. Assuming the average interest rate for this portfolio is 6.3 percent, we estimate that these borrowers will collectively be charged \$9,649,039,221 in unnecessary interest per year, or \$804,086,602 per month.

²³ *AFT v McMahon*, Status Report, U.S. District Court for the District of Columbia (June 17, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.37.0.pdf>.

²⁴ The Student Borrower Protection Center, *Preliminary Economic Analysis of the Effects of Resuming Interest Charges for Borrowers in the SAVE Forbearance* (July 9, 2025), *on file with author*. Note that in the May 2025 Status Report, the Department reported 1,985,726 pending IDR applications on file as of April 30, 2025. In its June 2025 Status Report, the Department clarified that it had overstated the size of the application backlog by 335,852 applications as a result of a reporting error by one of the Department's contracted student loan servicers. As a result, there were only 1,649,874 unprocessed applications as of April 30, 2025. See *AFT v. McMahon*, Status Report (U.S. District Court for the District of Columbia (May 15, 2025); <https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.36.0.pdf> and see also *AFT v McMahon*, Status Report, U.S. District Court for the District of Columbia (June 17, 2025), <https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.37.0.pdf>.

²⁵ *Id.*