

# Income-Driven Repayment: Promising but Complex

**FIGURE 1: SUMMARY OF INCOME-DRIVEN REPAYMENT PLANS<sup>10</sup>**

| REPAYMENT PLAN                        | ELIGIBILITY  | MONTHLY PAYMENT  | FORGIVENESS AFTER  |
|---------------------------------------|--|--|--|
| Revised Pay As You Earn (REPAYE)      | All Direct student loan borrowers. <sup>a</sup><br>No partial financial hardship (PFH) requirement <sup>b</sup>  | 10% of discretionary income <sup>c</sup>   | 20 years if repaying only undergraduate debt; 25 years if repaying any graduate debt |
| Income-Based Repayment (2014 IBR)     | Borrowers who took out their first federal student loan on or after July 1, 2014, and have a PFH   | 10% of discretionary income, up to the fixed 10-year payment amount                                | 20 years   |
| Pay As You Earn (PAYE)                | Direct student loan borrowers <sup>a</sup> who took out their first loan after September 30, 2007 and at least one loan after September 30, 2011, and have a PFH | 10% of discretionary income, up to the fixed 10-year payment amount                                | 20 years   |
| Income-Based Repayment (Original IBR) | All federal student loan borrowers (Direct or FFEL) with a PFH   | 15% of discretionary income, up to the fixed 10-year payment amount                                | 25 years   |
| Income-Contingent Repayment (ICR)     | All Direct Loan borrowers. <sup>d</sup> No PFH requirement   | The lesser of: 20% of discretionary income and 12-year repayment amount x income percentage factor | 25 years   |

# Loan Forgiveness Fails to Reach Eligible Students

|                       |   |
|-----------------------|---|
| Public Service:       | 99% applications denied                   |
| Death and Disability: | 72% eligible disability applications fail |
| Closed School:        | 53% eligible borrower fail                |
| Borrower Defense:     | 140,000 pending applications              |
| Bankruptcy:           | Considered nearly impossible              |

Sources: NPR, [9/21/2018](#); NPR, [12/4/2019](#); U.S. Department of Education, [6/16/2016](#); U.S. Department of Education, [4/30/2020](#).

# Should We Cancel All Debt?

- According to proponents:
  - ✓ Equitable complement to free college.
  - ✓ Targeted forgiveness programs are broken.
  - ✓ Targeting based on income overlooks racial issues.
  - ✓ Worthy goal to build middle-class wealth.
- On the other hand:
  - ✓ Free college will not eliminate borrowing for living expenses.
  - ✓ While there are gaps, many borrowers have substantial economic means.
  - ✓ Pell Grants are more economically and racially progressive, while also increasing educational attainment.