Going, Sebastien, Fisher & LeBouef, LLP
Darren J. Cart, CPA/PFS
Partner
2811 S Union St, Opelousas, LA
1700 Kaliste Saloom Rd., #5
Lafayette, LA
337-942-3041
337-981-5555
darren@going.cpa
www.goingcpa.com

Department of Education Launches New SAVE Income-Driven Repayment Plan

Starting in July 2024, the SAVE Plan will allow borrowers with undergraduate loans to cap their monthly student loan payments at 5% of discretionary income, compared to 10% of discretionary income under the current REPAYE Plan.

The Department of Education recently launched the most generous federal student loan income-driven repayment (IDR) plan to date — the Saving on a Valuable Education (SAVE) Plan. The SAVE Plan comes after the U.S. Supreme Court blocked federal student loan cancellation in June and before payments are set to restart in October after more than three years of payment pauses. The SAVE Plan will be implemented in phases, but eligible borrowers can sign up online now with a "beta version" of the application.

What should I know about the SAVE Plan?

The SAVE Plan is an income-driven repayment plan that calculates a borrower's monthly payment based on income and family size. It replaces the current Revised Pay As You Earn (REPAYE) Plan (which, before SAVE, was the most generous IDR plan).

The SAVE Plan includes multiple new benefits for borrowers, some of which take effect now and others that will take effect in July 2024 when the plan is fully implemented.[1]

Benefits that take effect now:

- The amount of income protected from loan payments under SAVE will increase from 150% of the federal poverty level to 225%. For a single borrower, this equates to earning less than $32,800 a year ($67,500 for a family of four). Borrowers under the threshold will have their loan payments set to $0.
- Unpaid monthly interest outside of a borrower's monthly payment will no longer accrue, so loan balances won't increase if borrowers make their monthly payments as required under SAVE (even in cases where a borrower's monthly payment is set to $0).
- Married borrowers who file their taxes separately will no longer be required to include their spouse's income in their payment calculation for SAVE. These borrowers will also have their spouse excluded from their family size when calculating payments.

Benefits that will take effect in July 2024:

- For undergraduate loans, monthly payments will be capped at 5% of discretionary income (compared to 10% of discretionary income under REPAYE), and graduate loans will be capped at 10% of discretionary income. Borrowers who have both undergraduate and graduate loans will pay a weighted average of between 5% and 10% of their income based on the original principal balances of their loans.
- For borrowers with original principal balances of $12,000 or less, remaining loan balances will be forgiven after 10 years of payments. For original loan balances over $12,000, the maximum repayment period will increase by one year for every additional $1,000 borrowed. For example, a $13,000 loan will be forgiven after 11 years of payments, a $14,000 loan will be forgiven after 12 years, and so on. (Under REPAYE, loan balances were forgiven after 20 years of payments.)

How do I enroll in SAVE?

There are different ways to enroll in the SAVE Plan.

- Borrowers who are already enrolled in the REPAYE plan will be automatically enrolled in the SAVE plan, and their monthly payments will be adjusted automatically with no action needed on their part.
- Borrowers who want to enroll in SAVE (or switch from another plan besides REPAYE) will need to log in

to the federal student aid website to fill out an application. The application is estimated to take less than 10 minutes to complete, and borrowers will need their FSA ID, financial information, personal information, and spouse's information (if applicable). The current SAVE application is a beta version, but according to the Department of Education, borrowers who apply using the beta version will have their applications processed and will not need to resubmit another application later.

- Borrowers who are in default on their federal student loans will need to get their loans back in "good standing" before being eligible for SAVE. Default borrowers can do this through the government's Fresh Start Program.
- Borrowers who are enrolled in the Public Service Loan Forgiveness Program will have their remaining loan balances forgiven after 10 years, regardless of which IDR plan they are enrolled in.

For more information about the new SAVE Plan, and to see estimated monthly payments based on income and family size, visit the federal student aid website.

1) U.S. Department of Education, 2023

IMPORTANT DISCLOSURES