# Student Loan Chaos

March 25, 2025

You can forgive people with student loan debt from feeling confused and somewhat frustrated. The Department of Education has shut down a key portal, without explanation, that defines the repayment amounts for millions of college-related loans.

After the government ended the Covid-related pause on student debt repayment in October 2023, many people entered into income-based repayment schedules. In particular, borrowers who qualified for Pay As You Earn (PAYE) plans would have their repayments capped at 10% of their discretionary income. Others fall under the so-called income-based repayment (IBR) or income-driven (IDR) arrangements, which limit the monthly amount that is required to be paid on student loan debt to 10 percent or 15 percent of the borrower's income (depending on when the loan was taken out)—making the repayment process more manageable. Loan balances would be forgiven after 20 or 25 years of timely payments.

Others are paying under the Income Contingent Repayment (ICR) plan, which caps the monthly payment at the lesser of 20% of discretionary income or what the borrower would pay on a fixed repayment plan over the course of 12 years.

Roughly 8 million borrowers enrolled in the Biden Administration's Saving on A Valuable Education (SAVE) plan, which based payments on a smaller portion of the borrower's income, and would have forgiven unpaid amounts under $12,000 after ten years of timely payments. Moreover, if the borrower makes full monthly payments that do not cover the accrued monthly interest, the government would cover the rest of the interest that accrued that month.

In each case, borrowers have to file their income information with the U.S. Department of Education, in order to determine the income-adjusted amount of their payment.

They did, at least, until SAVE initiative was temporarily blocked by a court injunction on February18, putting those borrowers into a kind of limbo. This apparently triggered a decision, still unexplained, to shut down the entire Education Department portal for all income-based repayments, including those that were not challenged in the court case. Borrowers who are required to annually update the amount they earn are unable to meet the requirement, and failing to do so can cause their monthly payments to rise and interest on their loans to be capitalized into principal.

This comes on the heels of multiple initiatives to forgive some or all of certain borrowers' student loan debt, each time blocked by the courts. Constant confusion (*Are my loans going to be forgiven or not? How much will I pay each month going forward? How do I meet the requirement when the government is making it impossible?*) is certainly not what students, college graduates and the parents who took out student debt signed up for.

**Sources**:

https://time.com/7261566/income-driven-repayment-plans-what-student-loan-borrowers-need-to-know/

https://www.yahoo.com/finance/news/trump-administration-removes-application-for-popular-student-loan-repayment-programs-100008394.html

https://www.consumerfinance.gov/ask-cfpb/what-are-income-driven-repayment-idr-plans-and-how-do-i-qualify-en-1555/

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