



# STOPPING BIDEN'S LATEST FREE COLLEGE SCHEME

## Income-Driven Repayment

### BACKGROUND

- President Biden is trampling the rule of law, hurting borrowers, and abusing taxpayers to ram through his radical free college agenda.
- On June 30, 2023, hours after the Supreme Court ruled Biden's student loan scheme unconstitutional, the Education Department (ED) unveiled the Savings on a Valuable Education (SAVE) plan. It will drastically alter the Income-Driven Repayment (IDR) program, which lets borrowers pay back loans based on how much they earn.
  - IDR was rarely used until Democrats allowed the federal government to take over the student loan market and expanded taxpayer subsidies provided under the program, leading to nearly half of loans being repaid under an IDR plan.

### THE PROBLEM

- Outside experts estimate Biden's SAVE scheme will cost as much as \$559 billion – making it the most expensive regulation in history and more than doubling the cost of the IDR program.
- Specifically, the SAVE scheme:
  - Expands the share of borrowers' exempted income (150 percent to 225 percent of the federal poverty line) that is used to calculate their monthly payments.
  - Cuts in half the amount that borrowers have to pay each month from 10 percent of their income to five percent.
  - Forgives loan balances as early as 10 years instead of 20 or 25 years.
- This plan will exacerbate the problems of rising college costs and excessive borrowing.
  - Future borrowers will take on debt expecting forgiveness, encouraging schools to raise tuition rates and forcing future generations to pay the price.

## THE PROBLEM CONT'D

- Policy experts agree that 80 percent of students will never fully repay their loans under this proposal, leaving taxpayers – even if they never went to college – to foot the bill.
  - In some instances, graduate students' loans will be subsidized more than low-income households receiving federal housing assistance or Medicare benefits.
  - Only Congress has the power of the purse. Congress did not and would not authorize the Secretary to write off half of the \$1.6 trillion student loan portfolio with the stroke of a pen.

## REPUBLICAN SOLUTIONS

### CRA Resolution on IDR

- Nullifies the administration's radical IDR regulation.
- Stops the unilateral actions of President Biden that would cost everyday Americans hundreds of billions of dollars.

### FAIR Act, H.R. 4144

- **Protects borrowers and taxpayers** by simplifying the repayment process, ending ballooning loan balances, preventing taxpayer subsidies going to those who don't need them, and ending time-based forgiveness.
- **Ensures a smooth transition back to repayment** by providing repayment assistance to borrowers in financial distress, requiring ED and the Office of Federal Student Aid to provide ample guidance to servicers and preventing bonuses from flowing to ineffective bureaucrats.

## BOTTOM LINE

- Biden's actions will make the student loan program even more expensive for taxpayers by setting the precedent of loans not needing to be repaid.