Student Loan Repayment in the College Cost Reduction Act

Assessing How Benefits Change for Different Borrower Groups

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Earlier this year, Representative Virginia Foxx (R-NC) introduced the College Cost Reduction Act (CCRA), a bill to reform higher education grant and loan programs and to establish new accountability rules for colleges. A key part of the bill would replace the myriad income-driven repayment (IDR) plans for federal student loans, including the Biden administration's Saving on a Valuable Education (SAVE) plan, with a new repayment plan.[1] The bill features income-based payments, a cap on total payments, and monthly subsidies that waive unpaid interest and reduce principal balances for certain borrowers.

In this brief, we compare the CCRA plan with the Biden administration's SAVE plan, the most generous IDR plan. We also compare the CCRA plan with another version of IDR, the Pay as You Earn (PAYE) plan, in the appendix.

Using College Scorecard data, we estimate loan repayment trajectories for several types of borrowers under both plans. We find the following:

- The CCRA would enhance benefits for graduate borrowers, who typically have higher incomes, and would reduce benefits for undergraduate borrowers, particularly those who earn certificates and associate's degrees, who generally have lower incomes.
- Under the CCRA plan, the typical borrower who completed a certificate or associate's degree would be required to repay a substantially larger share of their original loan disbursement than they would under the SAVE plan.
- The typical borrower who completed a bachelor's degree would be required to repay a larger share under the CCRA, though the difference is smaller than for those completing shorter-term credentials.

- Borrowers who completed a graduate program would typically be required to repay less under the CCRA than under SAVE because the CCRA's cap on total payments is generally more beneficial than SAVE's loan forgiveness benefits when debts and incomes are higher. But borrowers would repay more under the CCRA than under SAVE when using Public Service Loan Forgiveness (PSLF).
- Most borrowers would receive only one of the two new benefits included in CCRA—the interest and principal subsidies or the cap on total payments—but not both. Interest and principal subsidies typically reduce total payments for borrowers with low incomes, while the cap on total payments typically reduces total payments for borrowers with higher incomes, as long as their balances are high enough to extend repayment beyond 10 years.
- The CCRA would typically require lower total payments than the Obama-era IDR plan, PAYE, and the difference is substantial for graduate borrowers.

Loan Repayment Plan under the CCRA

The CCRA would streamline the existing repayment options on federal student loans into just two plans: a 10-year fixed payment plan and a "repayment assistance plan" that uses a framework similar to existing IDR options but differs in several ways. Payments would be set at 10 percent of a borrower's annual income above 150 percent of the federal poverty level ($22,590 for a single-person household), adjusted for household size, the same as under plans that preceded the SAVE plan, such as the PAYE plan (table 1). Monthly payments would be higher than under the Biden administration's SAVE plan, under which borrowers pay 5 percent of income above 225 percent of the federal poverty level ($33,885 for a single-person household) on undergraduate debt and 10 percent of income on graduate school debt.

TABLE 1

Details of Income-Driven Repayment Plans

	CCRA	SAVE	PAYE
Income exemption	150% of the federal poverty level ($22,590 for an individual)	225% of the federal poverty level ($33,885 for an individual)	150% of the federal poverty level ($22,590 for an individual)
Assessment rate	10%	5% of income for undergraduate debt or 10% for graduate debt; weighted rate based on combined balance	10%
Time to forgiveness	No time-based loan forgiveness	10 years if borrowed $12,000 or less, plus 1 year for each additional $1,000 borrowed, 20-year maximum or 25-year maximum for graduate borrowers	20 years
Interest subsidy	Unpaid interest forgiven monthly; balance cannot increase	Unpaid interest forgiven monthly; balance cannot increase	Unpaid interest forgiven only at 20-year point except in limited circumstances; balance can increase
Principal subsidy	Principal is reduced by half the monthly payment amount if the payment alone does not cover it	None	None
Total payment cap	Total amount the borrower would pay under the fixed 10-year repayment plan	None	None
Loans eligible	Undergraduate and graduate	Undergraduate and graduate	Undergraduate and graduate

Note: CCRA = College Cost Reduction Act; PAYE = Pay as You Earn; SAVE = Saving on a Valuable Education.

The CCRA plan also replaces the time-based loan forgiveness benefits provided in SAVE and other IDR plans with a cap on total payments. Under existing IDR options, borrowers pay for a set number of years, after which remaining balances are forgiven, but there is no limit on how much borrowers might repay before that point. The SAVE plan forgives balances after 10 to 25 years, depending on how much students borrowed and whether it was for graduate school.

The CCRA plan instead caps the total principal and interest payments at the total amount the borrower would pay under the fixed 10-year repayment plan (in nominal terms). Once the borrower makes cumulative payments of that nominal amount, over any time period, they satisfy their repayment obligation. There is no time limit on payments, only a dollar limit. Borrowers may, however, end up paying less than the preset limit if their payments are relatively high and they pay down the loan over a short period, reducing their total interest payments.

The CCRA plan also includes a monthly payment subsidy that shares some features with the SAVE plan. It waives any unpaid interest each month when the borrower's income-based payments do not cover it, but the borrower must make at least a $1 payment to qualify. This is similar to how the SAVE plan works, though the SAVE plan does not have the minimum $1 payment requirement.

The proposed plan then provides an additional benefit that has not been part of other IDR plans. The government would make a payment subsidy to reduce the borrower's principal balance by half their monthly payment if their monthly payment alone does not reduce the balance by that much. This ensures that a borrower's loan balance is always declining each month, even if their income-based payments cannot pay down the principal. For example, a borrower whose loan accrues $100 in interest each month, but whose income-based payment is only $50, would see the remaining $50 in interest waived (like under SAVE). Then the borrower would have another $25 (half the value of their payment) cut from their remaining principal balance. Any borrower whose payment is less than double the amount of interest accrued would receive at least a portion of this benefit.[2]

To summarize, the CCRA plan requires that borrowers make higher monthly payments than the SAVE plan, and it replaces time-based loan forgiveness with a total payment cap. It matches the interest waiver under SAVE but adds an additional benefit that reduces borrowers' principal balances each month if their payments are relatively low.

Main Findings

Though the proposed plan in the CCRA requires larger monthly payments than the SAVE plan, it is difficult to discern from the descriptions above which plan is more generous in terms of total payments. To better understand how the plans' effects differ, we use College Scorecard data on debt and postcompletion earnings to estimate repayment trajectories for the typical borrower completing various credentials. Using data for individual programs of study across all institutions, we estimate how much the typical federal loan borrower would repay under the CCRA and SAVE plans.

We assume borrowers make on-time payments of exactly the amount required without any early or extra payments. Because of data limitations, we use median debt and earnings statistics for these estimates. An analysis that captures the full distribution of debt and earnings could reveal additional findings we cannot see here. See the appendix for more details on our data and assumptions. The appendix also includes a comparison of the CCRA and the PAYE plan. Our analysis does not account for how institutions may respond to the CCRA's risk-sharing policy, which requires institutions to pay a portion of students' unpaid loans, including when those loans are unpaid owing to the interest subsidy, principal subsidy, and total payment cap the CCRA provides.[3]

We find that the CCRA plan would reduce benefits for undergraduate borrowers, who typically have lower incomes, and enhance benefits for graduate borrowers, who typically have higher incomes. The plan would increase payments most for typical borrowers who completed a certificate. The typical certificate borrower would be required to repay about the same amount they borrowed ($12,000 of debt) in discounted present dollars, which is three times more than they would repay under SAVE (figure 1). The SAVE plan requires these borrowers to repay about a third of their loans because of SAVE's lower monthly payments and shorter loan forgiveness time frame.

Borrowers with associate's degrees would also see a large increase in required payments under the CCRA. The typical borrower who completed an associate's degree ($17,000 of debt) would be required

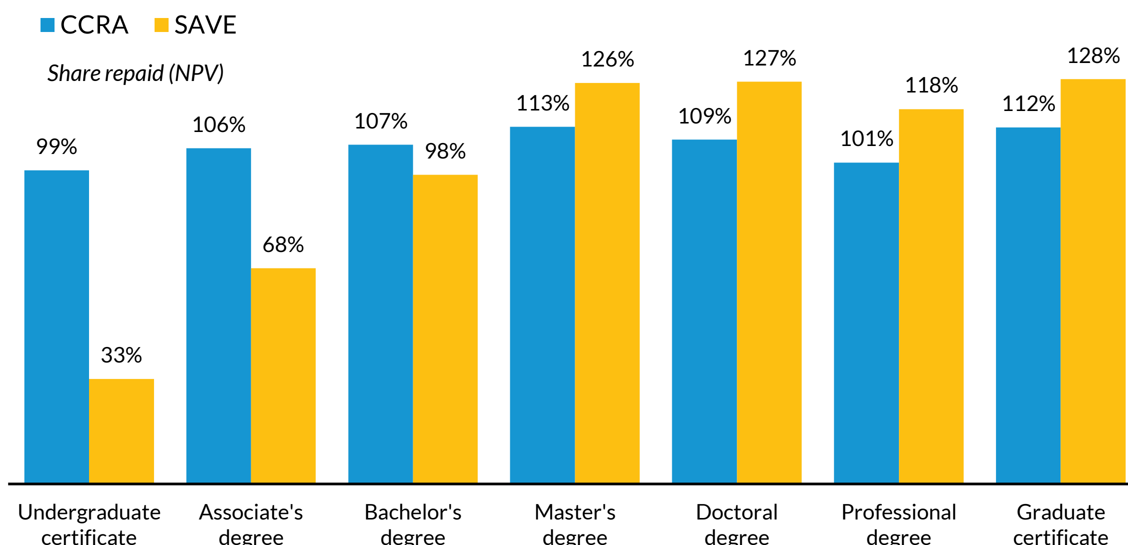
to repay about 50 percent more than under SAVE and would typically repay slightly more than they borrowed, because of interest. Under SAVE, they would repay about two-thirds of what they borrowed, owing to the plan's low monthly payments and loan forgiveness benefits. Certificate and associate's degree borrowers would likely see the largest increases in their total payments under the CCRA, even though they tend to have lower incomes than those with higher credentials.

The typical bachelor's degree borrower ($26,000 of debt) is likely to see the least change in total payments between SAVE and the CCRA, but payments are still higher under the CCRA. These borrowers would be required to repay about 10 percent more than under SAVE over the life of the loan.

FIGURE 1

The Typical Undergraduate Borrower Would Be Required to Pay More under the Proposed CCRA Plan Than under SAVE, but Graduate Borrowers Would Be Required to Pay Less

Share of original disbursement typical borrowers would be required to repay, by credential level



Source: Urban Institute analysis using College Scorecard data.

Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations represent average repayment outcomes at each credential level based on the median amounts borrowed and median postcompletion earnings for each program with data in the College Scorecard, weighted by the number of borrowers. Repayment amounts are net present value using a 3 percent discount rate. See the appendix for assumptions. See appendix table A.1 for the typical debt and earnings for each credential presented here.

The repayment differences for undergraduates between the plans are driven by two factors. First, the CCRA requires higher monthly payments than SAVE, requiring borrowers to pay more each year. Second, the CCRA plan has no time-based loan forgiveness like SAVE, only a cap on total payments. That cap tends to set total payments higher than these borrowers would pay under the SAVE plan's time-based loan forgiveness benefit.

The time-based loan forgiveness benefit in SAVE is particularly beneficial to certificate and associate's degree borrowers because they often will qualify for forgiveness after the shortest amount of time (10 years of payments), as they borrow smaller amounts, leading to the lowest total payment levels under SAVE out of any credential group. Without time-based loan forgiveness, certificate and associate's degree borrowers have higher relative payments under the CCRA. These borrowers also tend to have lower incomes, but the CCRA plan's principal and interest benefits do not reduce their payments as much as SAVE's time-based loan forgiveness. The principal reduction benefits accelerate borrowers' progress in repaying and reduce total payments, but they are not nearly as beneficial as the SAVE plan's lower monthly payments and time-based loan forgiveness. (The benefits tend to reduce total payments more than the PAYE plan's longer time-based loan forgiveness for many lower-income borrowers.)

Although the CCRA increases required total payments for undergraduates relative to SAVE, it produces the opposite result for typical borrowers completing graduate credentials. Typical graduate borrowers, who tend to have higher incomes, would be required to repay between 10 and 15 percent less under the CCRA than under SAVE, depending on the credential level. This difference is driven mainly by the fact that graduate borrowers are required to repay for up to 25 years under SAVE before qualifying for loan forgiveness and generally have higher incomes, meaning they are likely to fully pay off their loan when using SAVE.

In contrast to what they would receive under SAVE, graduate borrowers tend to receive loan forgiveness under the CCRA because of the cap on total payments. When their cumulative payments reach the amount they would have paid if using a 10-year fixed payment plan, their remaining balance is forgiven, which is particularly beneficial to graduate borrowers because they have larger loan balances that are likely to be repaid over longer periods.[4] Under the CCRA, borrowers effectively do not have to repay the additional interest that accrues as a result of making income-based payments that extend their repayment term beyond 10 years. Under SAVE, however, they often must repay this additional interest (unless they have it forgiven at the 25-year loan forgiveness timeline).

We use median loan amounts reported in the Scorecard for this analysis, but the CCRA changes borrowing limits for undergraduate and graduate borrowers that could change how much students typically borrow. We do not estimate those effects, though all our examples include debt levels below the aggregate limits established in the CCRA.[5] Generally, the new limits will increase the amount undergraduates may borrow and modestly reduce the amount some master's degree students can borrow. Professional students could see more broad-based reductions in the amounts they can borrow.

Program-Level Examples

To further illustrate how the proposed CCRA repayment plan would work, we examine repayment trajectories for typical students in several common programs (i.e., fields of study) at different institutions and credential levels. For each program type, we use typical debt and postcompletion earnings to estimate cumulative payments under the CCRA plan and under the SAVE plan.

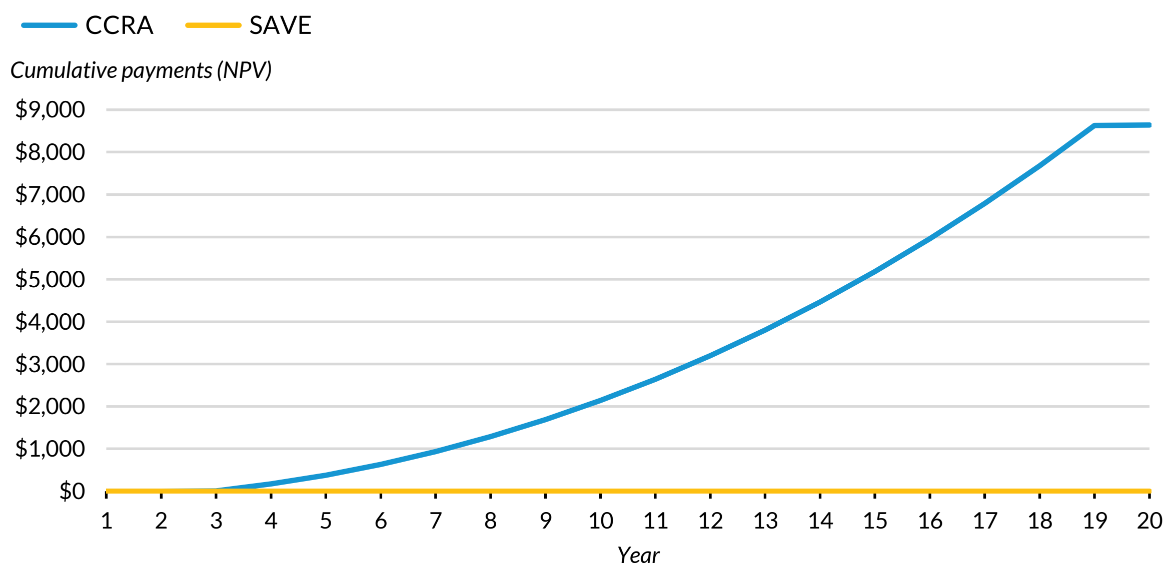
Cosmetology Certificate at a For-Profit Institution

The typical borrower who completes a cosmetology certificate at a for-profit institution borrows $10,000 and earns $26,500 four years after completing. Under our assumptions, this borrower's income would remain below the exemption level under the SAVE plan (225 percent of the federal poverty level) until year 10, when they have their balance forgiven, meaning they would not have to make any payments on their loan and would have the full balance forgiven.

In contrast, under the CCRA, the borrower pays off nearly the full loan but over 20 years. With the lower income exemption under the CCRA (150 percent of the federal poverty level), they would be required to make positive payments after their initial years of repayment, and the lack of time-based loan forgiveness means they would continue repayment until they pay off their balance. In this case, the borrower does not reach the total payment cap and fully repays the loan. But the interest and principal subsidies reduce the borrower's total payments. In fact, it is because of this effect the borrower does not reach the total payment cap, highlighting how these two benefits are often mutually exclusive.

FIGURE 2

Graduates of Cosmetology Certificate Programs at For-Profit Institutions Would be Required to Pay More under the CCRA Than under SAVE



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Source: Urban Institute analysis using College Scorecard data.

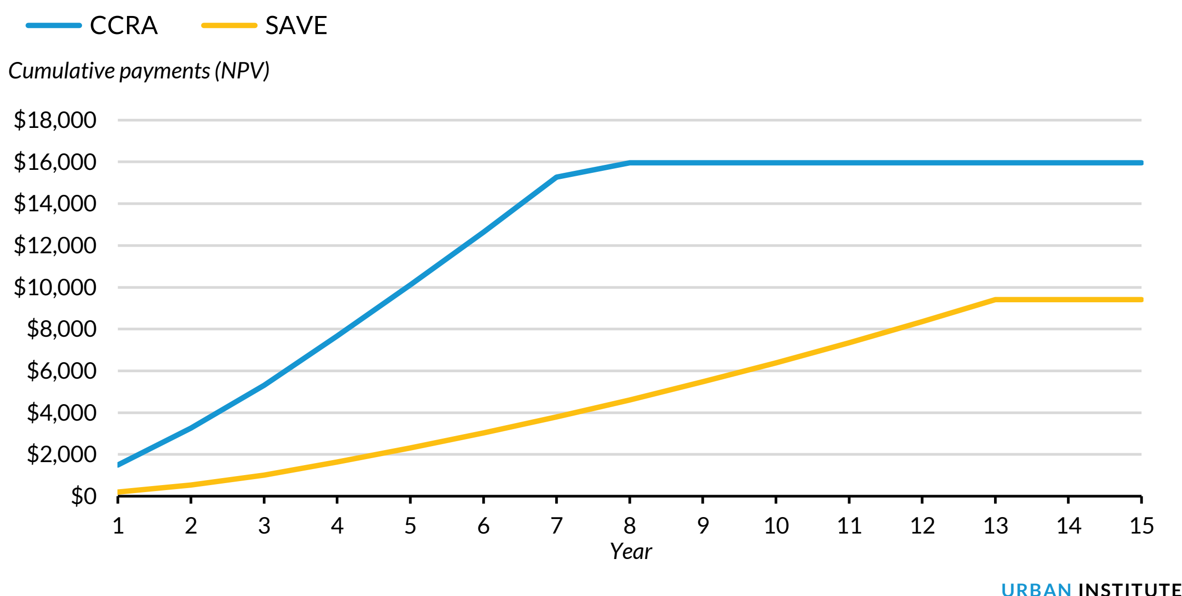
Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. This figure is based on a borrower who borrows $10,000, earns $19,800 one year after completing, and earns $26,500 four years after completing. Repayment amounts are in net present value using a 3 percent discount rate. See the appendix for assumptions.

Business Associate's Degree at a Public Institution

The typical borrower who completes an associate's degree in business at a public institution borrows $14,400 and earns $51,200 four years after completing. Under the CCRA plan, their monthly payments would be larger than under a 10-year fixed payment plan, and they would pay down their loan relatively quickly. But the lower monthly payments under SAVE would allow this borrower to pay down their loan slower. And with the time-based loan forgiveness terms, they would have their remaining balance forgiven after 13 years, saving them $6,500 relative to the CCRA. Under the CCRA, this borrower receives neither the interest and principal subsidies nor the loan forgiveness associated with the total payment cap because their payments are too high to trigger those effects.

FIGURE 3

Graduates of Business Associate's Degree Programs at Public Institutions Would Be Required to Pay More under the CCRA Than under SAVE



Source: Urban Institute analysis using College Scorecard data.
Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. This figure is based on a borrower who borrows $14,400, earns $38,000 one year after completing, and earns $51,200 four years after completing. Repayment amounts are in net present value using a 3 percent discount rate. See the appendix for assumptions.

Teaching Bachelor's Degree at a Public Institution

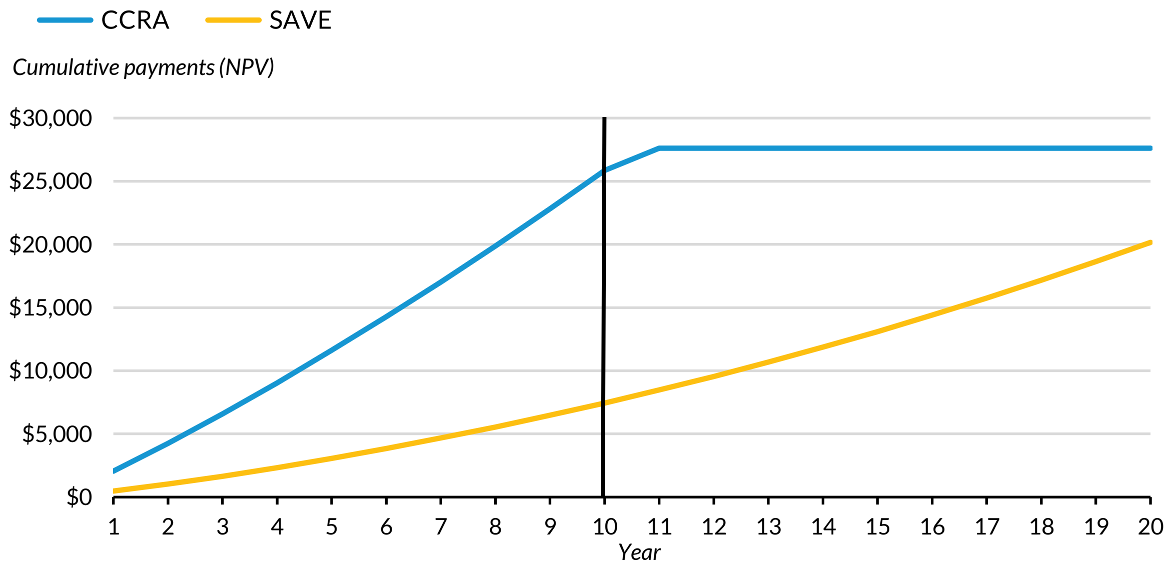
The typical borrower who completes a bachelor's degree in teaching at a public institution borrows $25,500 and earns $52,500 four years after completing. This borrower's initial income would be high enough to make positive monthly payments under both plans, but payments would be much larger under the CCRA. This borrower would receive the CCRA's interest and principal subsidies in the early

years of repayment, but after 11 years, they would reach the cumulative payment cap and have a small balance forgiven. As a result, the interest and principal subsidies do not reduce their total payments; the payment cap dictates how much they pay. Under SAVE, the borrower would make much smaller monthly payments and would receive loan forgiveness after 20 years, with their cumulative payments totaling $7,500 less than under the CCRA.

Many teachers are eligible to have their loans forgiven after 10 years of payment through Public Service Loan Forgiveness. A borrower with this same income and debt profile who uses PSLF under the CCRA would receive minimal benefit from PSLF (which is the same as under other IDR plans, such as PAYE). Their total payments under the CCRA are high enough that they would have paid off most of their loan by year 10, when PSLF takes effect. Under the SAVE plan, this borrower would make lower monthly payments and therefore have a substantial balance left to forgive under PSLF, making the difference between the two plans even larger in terms of total payments. Prior research supports this finding that the SAVE plan provides large benefits to bachelor's degree borrowers in teaching programs (Delisle 2023).

FIGURE 4

Graduates of Teaching Bachelor's Degree Programs at Public Institutions Would Be Required to Pay More under the CCRA Than under SAVE



Source: Urban Institute analysis using College Scorecard data.

Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. This figure is based on a borrower who borrows $25,500, earns $43,700 one year after completing, and earns $52,500 four years after completing. Repayment amounts are in net present value using a 3 percent discount rate. See the appendix for assumptions. The vertical line at year 10 represents the end of repayment for a borrower who receives Public Service Loan Forgiveness.

Social Work Master's Degree at a Private Nonprofit Institution

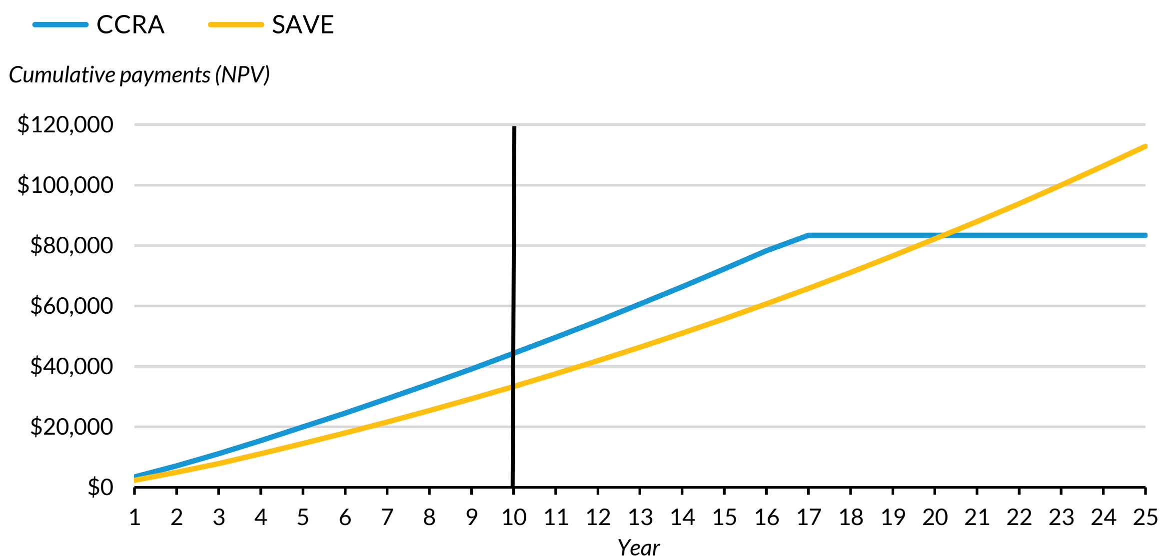
The typical borrower who completes a master's degree in social work at a private nonprofit institution borrows $80,200 for the degree and earns $73,600 four years after completing. Under the CCRA plan, this borrower takes 17 years to repay the amount they would have paid under the 10-year fixed payment plan, and their remaining balance is forgiven at that point. This borrower receives interest and principal subsidies in the early years of repayment, but they would not affect total payments under the CCRA because the borrower still reaches the total payment cap.

Under SAVE, this graduate borrower's total payments are much higher because instead of the total payment cap under the CCRA, they must pay for 25 years before they qualify for loan forgiveness. Ultimately, this borrower would repay about $29,500 less under the CCRA than under SAVE.

Like teachers, many social workers are eligible for loan forgiveness after 10 years through PSLF. If this borrower were eligible for PSLF, the CCRA would have the opposite effect, requiring them to repay about $11,000 more in total than under SAVE because it requires higher monthly payments while they make progress toward the point PSLF is awarded.

FIGURE 5

Graduates of Social Work Master's Degree Programs at Private Nonprofit Institutions Would Be Required to Pay Less under the CCRA Than under SAVE



Source: Urban Institute analysis using College Scorecard data.
Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. This figure is based on a borrower who borrows $80,200, earns $57,800 one year after completing, and earns $73,600 four years after completing. Repayment amounts are in net present value using a 3 percent discount rate. See the appendix for assumptions. The vertical line at year 10 represents the end of repayment for a borrower who receives Public Service Loan Forgiveness.

Law Degree at a Public Institution

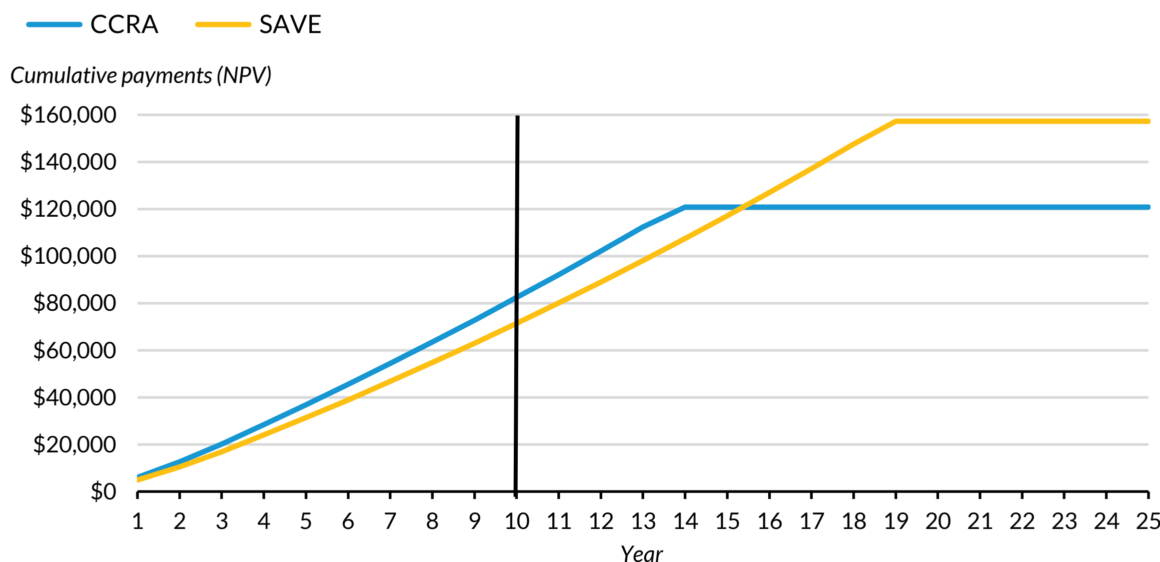
The typical borrower who completes a law degree at a public institution borrows $110,100 for the degree and earns $117,700 four years after completing. Though this borrower has a higher income than in the social work example, they have more debt, which leads to a similar repayment pattern.

Under the CCRA, the typical law school borrower would take 14 years to repay the amount they would have paid under the 10-year fixed payment plan and then would have their remaining balance forgiven. Like the social work example, the interest and principal subsidies in the early years of repayment have no effect on this borrower's total payments over the life of the loan. Because SAVE does not include a total payment cap, the borrower would continue to pay until year 19, when they fully repay their debt. In total, this borrower would be required to pay $36,500 less under the CCRA than under SAVE, even though monthly payments are higher under the CCRA. The total payment cap under the CCRA still provides a benefit to the borrower that is worth considerably more than SAVE's lower monthly payments and 25-year loan forgiveness benefit.

Similar to the social work example, a borrower with this profile who qualifies for PSLF would pay about $11,000 more under the CCRA than under SAVE.

FIGURE 6

Graduates of Law Degree Programs at Public Institutions Would Be Required to Pay Less under the CCRA Than under SAVE



Source: Urban Institute analysis using College Scorecard data.

Notes: CCRA = College Cost Reduction Act; NPV = net present value; SAVE = Saving on a Valuable Education. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. This figure is based on a borrower who borrows $110,100, earns $84,400 one year after completing, and earns $117,700 four years after completing. Repayment amounts are in net present value using a 3 percent discount rate. See the appendix for assumptions. The vertical line at year 10 represents the end of repayment for a borrower who receives Public Service Loan Forgiveness.

Policy Implications

The loan repayment plan in the CCRA would replace the existing set of IDR plans with a single IDR plan that borrows many of the existing plans' features but introduces new ones. Some of the new plan's terms are identical to the plans the Obama administration enacted (PAYE and Revised Pay as You Earn, or REPAYE), such as how much borrowers must pay monthly, though those payments are considerably higher than under the SAVE plan the Biden administration recently enacted. Under the CCRA, as under SAVE, borrowers have any unpaid interest waived monthly.

But the CCRA introduces new benefits to the system too. It includes a cap on total payments, which is effectively based on how much students borrow, instead of time-based loan forgiveness benefits. The CCRA also has a guaranteed monthly principal reduction. Our analysis of these changes reveals both expected and unexpected results.

The plan increases monthly payments for borrowers relative to SAVE and matches those under the PAYE plan. It also uses new strategies to limit borrowers' total payments with monthly principal

reductions and a cap on total payments. Our analysis reveals that for undergraduates, these features tend to be less beneficial than features of SAVE but do curb total payments and tend to result in slightly lower total payments and slightly less time in repayment than under the PAYE plan. For graduate borrowers, however, the cap on total payments in the CCRA produces large new benefits and results in the lowest total payments out of any IDR plan to date for typical graduate and professional borrowers.

We focus on total payments, but monthly student loan obligations would be larger under the CCRA than under SAVE for all borrowers. If policymakers believed the monthly payments required by PAYE were too large, the CCRA does not solve that problem. In terms of total payments, the proposal cuts payments for the typical graduate borrower but increases them for undergraduates relative to SAVE, particularly for borrowers who earn a certificate or associate's degree. Students with a graduate degree tend to have higher incomes than those who completed only an undergraduate program, so it is surprising to see policymakers increasing benefits for them even beyond those provided in SAVE and PAYE.

Borrowers who are eligible for PSLF because they work in government or nonprofit jobs would be required to pay more under the CCRA than they would under SAVE before receiving loan forgiveness. For these borrowers, repayment under the CCRA would require more in total payments than SAVE, regardless of whether the borrower has a graduate credential. As a result, loan forgiveness amounts in PSLF would decrease substantially, to the same level as under the PAYE plan.

The principal-reduction subsidies included in the CCRA tend to produce smaller benefits than SAVE's generous loan forgiveness terms. Generally, the benefits would reduce total payments for some borrowers whose monthly payments are relatively small for a sustained period. The typical borrower who completes a cosmetology certificate is a good example, as the subsidies allow them to retire their loan when their total payments are about $1,000 less than they originally borrowed, similar to what they pay under PAYE. These borrowers would, however, spend long periods repaying their loans even with this benefit.

Most borrowers using the CCRA plan would benefit either from the interest and principal subsidies or from loan forgiveness associated with the total payment cap, but not both. Even if a borrower receives subsidies early in loan repayment, if they reach the total payment cap, these subsidies do not reduce their total payments. There may, however, be psychological benefits to the principal subsidy, which ensures borrowers are always reducing their outstanding balance if they make a payment, even if it does not reduce their total payments.

We also find that because the CCRA has no time-based loan forgiveness, some borrowers with low incomes would be required to repay for longer than 25 or even 30 years. The CCRA's total payment cap and monthly principal subsidies are not large enough to prevent borrowers from repaying for very long periods, especially relative to what they borrowed. Borrowers at the lower end of the earnings distribution in any program could be subject to these long repayment timelines. But based on median earnings and debt levels, in 247 undergraduate programs (out of about 21,900) and 112 graduate programs (out of about 5,600), the typical borrower would be in repayment for more than 25 years (if

they do not prepay their loans). In 108 undergraduate programs and 49 graduate programs, the typical borrower would be in repayment for more than 30 years. The monthly principal benefit for these borrowers is small because it is linked to the size of a borrower's monthly payments. If a borrower's income is low, their payment will be low, and their monthly principal reduction will also be low. Therefore, borrowers with persistently low incomes tend to receive little benefit from the provision and spend many years in repayment.

These findings point to possible changes policymakers could make to the CCRA. If policymakers want to distribute more of the benefits under this proposal to undergraduate borrowers and borrowers with low incomes and want to prevent borrowers from having to repay for more than two decades, they could consider including a time-based loan forgiveness provision for undergraduate borrowers. Such a provision would provide benefits to borrowers with low incomes, such as the cosmetology student we analyzed. It would also prevent borrowers with the lowest incomes from holding onto their student debt for 30 years or more.

Policymakers may also want to consider whether the cap on total payments should be provided to graduate borrowers. Our analysis suggests that these borrowers are reaping a benefit from this provision not necessarily because their loans are unaffordable but because the CCRA lets them stretch payments out over long periods but caps payments to a 10-year amount, a design that will almost always trigger loan forgiveness for high-debt borrowers. A cap set to a longer amortization period, such as 20 years, for larger balances would help better target this benefit and free up resources to offer undergraduate borrowers better protections against long repayment terms.

Appendix

Data and Assumptions

We report all statistics in 2023 dollars. We calculate all repayment estimates using program-level data in the College Scorecard. These data are for program completers only. We weight programs by the number of borrowers to account for program size. We use the median amount of federal student loans disbursed for the cohort of borrowers for each program and estimate what borrowers would repay on those loans according to IDR terms using the cohort's median earnings reported in the College Scorecard. For graduate programs, we do not include additional debt borrowers may have from their undergraduate programs.

In the earnings data, we include only completers who are working and exclude nonworking individuals, biasing the earnings we use in our estimate higher than they would be if we included the entire cohort of working and nonworking individuals. We use the cohort's earnings reported in only their first and fourth years after completing the program for those years in the loan repayment estimate but not years two and three because of inconsistencies in the data. For these years, we impute the earnings by assuming a constant annual growth rate in earnings from year one to year four (for undergraduates, that rate averages about 8 percent annual growth above the 3 percent annual inflation

rate we use in the analysis, with wide variation by program). For each year after, we assume a constant 5 percent annual increase in earnings.

Throughout this analysis, we assume 3 percent annual inflation of the 2024 federal poverty level used for the exemption in IDR, a 5.50 percent interest rate on undergraduate loans, a 7.05 percent interest rate on graduate loans, and that borrowers make all payments on time with no early payments.

Using these assumptions, we calculate how much a borrower in a single-person household will pay over the life of their loan for a given loan size and starting income, reported in present dollars using a 3 percent discount rate (which matches the assumed inflation rate for consistency). The payment cap in the CCRA is based on the nominal amount a borrower would pay under the 10-year fixed payment plan. We apply this cap based on a borrower's nominal payments but report total payments in present terms.

We assume the borrower remains in IDR for their entire repayment period. Because of data limitations, we cannot include interest that accrues on borrowers' loan balances while enrolled.

Tables and Figures

TABLE A.1

Typical Earnings and Debt, by Credential Level

	Amount borrowed	Earnings four years after completion
Undergraduate certificate	$11,994	$40,292
Associate's degree	$17,195	$56,719
Bachelor's degree	$25,632	$71,575
Master's degree	$52,532	$95,441
Doctoral degree	$110,506	$116,530
Professional degree	$183,537	$132,533
Graduate certificate	$57,435	$99,458

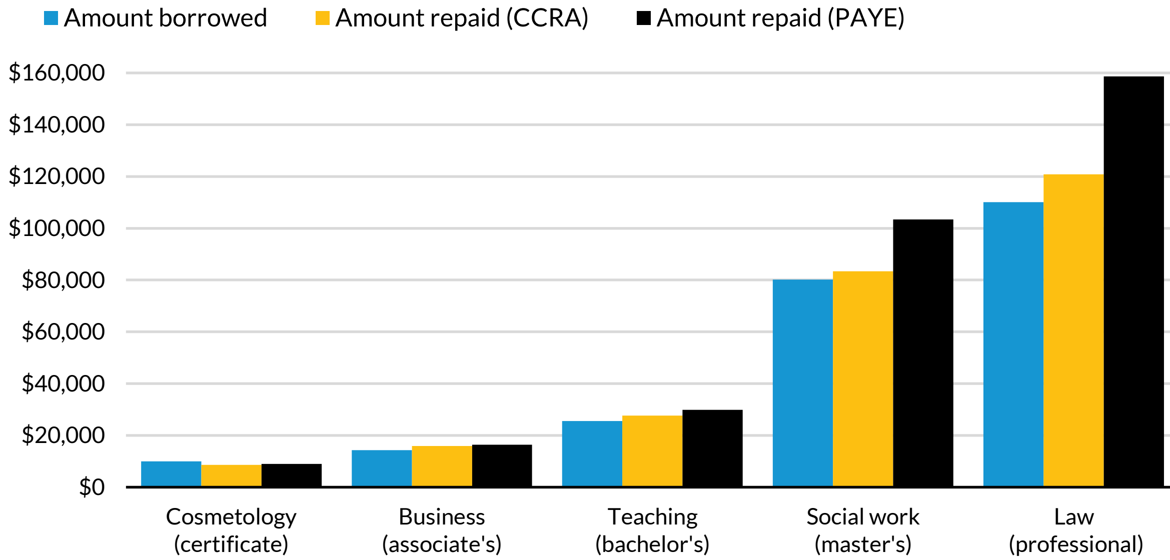
Source: Urban Institute analysis using College Scorecard data.

Notes: Statistics are calculated as the average of program-level medians, weighted by the number of borrowers in the program.

FIGURE A.1

The CCRA Would Require Lower Total Payments Than PAYE, with the Largest Differences for Graduate Borrowers

Debt and repayment amounts, by repayment plan



Source: Urban Institute analysis using College Scorecard data.

Notes: CCRA = College Cost Reduction Act; PAYE = Pay as You Earn. Calculations are based on averages of the median amounts borrowed and median postcompletion earnings for each program within the field, weighted by the number of borrowers. Programs included here are the same as those in the examples above that compare the CCRA with SAVE. Repayment amounts are in net present value using a 3 percent discount rate. See above for assumptions.

Notes

[1] College Cost Reduction Act, H.R. 6951, 118th Cong. (2024).

[2] Borrowers whose payments exceed the amount of interest accrued also receive this benefit because the principal balance must be reduced by at least half their monthly payment. For example, if a borrower's loan accrues $100 of interest each month and their monthly payment is $150, their balance will be reduced by $75, rather than the $50 balance reduction they would see under past IDR plans.

[3] Preston Cooper of the Foundation for Research on Equal Opportunity published an analysis of the risk-sharing plan in the proposal. See Preston Cooper, "An Analysis of the College Cost Reduction Act," Foundation for Research on Equal Opportunity, January 11, 2024, https://freopp.org/an-analysis-of-the-college-cost-reduction-act-947a954eb7de.

[4] As an example, consider the typical law school borrower profiled later in this brief. Their initial loan balance of $110,100, with a 7.05 percent interest rate, results in a total payment cap of $153,882 in nominal terms, equivalent to the principal and interest payments they would make on that balance over a 10-year term, or 120 monthly payments of $1,282. Once the borrower reaches this total payment amount under the CCRA, they no longer need to pay any remaining balance on the loan. Based on our assumptions and methods, we estimate that a typical borrower with a law degree would repay that amount in 14 years. If they repaid that same loan balance in SAVE or PAYE, they would repay for 19 or 18 years, respectively, and fully repay their loans before reaching the forgiveness points under those plans. Total nominal payments under SAVE and PAYE for the borrower in this example would be $220,054 and $215,155, more than the 10-year payment cap under the CCRA, making the CCRA more generous to a borrower with this profile (this is also true when the total payments are discounted to present values).

[5] Under current law, undergraduates may borrow between $5,500 and $12,500 per year, depending on their year in school and dependency status. Lifetime limits are $32,000 for dependent students and $55,000 for independent students. Graduate students may borrow the full cost of attendance, less any other aid. There is no aggregate limit. Under the CCRA, the new annual limit for undergraduate students and graduate students is the median total cost of attendance for each field of study. Aggregate limits are $50,000 for all undergraduate degrees, $100,000 for master's degrees, and $150,000 for professional degrees. See College Cost Reduction Act, H.R. 6951, 118th Cong. (2024).

Reference

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