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Student Borrowers Face Higher Payments

BY OYIN ADEDOYIN AND DALVIN BROWN

Millions of student-loan borrowers are bracing for significantly higher monthly payments after the Trump administration moved to wind down one of the federal government's most affordable repayment options.

Interest was set to start accruing again Friday for the nearly eight million people enrolled in the Saving on a Valuable Education Plan, or SAVE. The Education Department said it is making the change to comply with a federal court injunction that blocked the plan, which was introduced under the Biden administration.

The loans remain in forbearance while courts decide SAVE's future, meaning borrowers still aren't required to make monthly payments. But the change, coupled with the Trump administration's plan to eventually phase out the program as part of a retreat from federal student loans, has some borrowers casting about for different options.

Jessica Ochoa, a 31-year-old speech-language pathologist in Murrieta, Calif., said her $140,000 in graduate-school loans carried monthly payments of just $592 under SAVE—low enough to make life's milestones feel achievable.

"I realized, 'Oh, wow, my loans are much more manageable and affordable. I can have a kid, I can buy a house,' " Ochoa said. "So then I did those things."

Note

Now, other repayment options quote her monthly payments of $1,500. She plans to remain in forbearance until a new payment program is launched next summer, which will require a roughly $1,200 monthly payment.

President Trump's tax law will eliminate most existing income-driven repayment plans next summer for new borrowers, replacing them with two repayment options. Current borrowers will have access to the eliminated plans until July 1, 2028, though a court ruling could end SAVE sooner.

SAVE was introduced in 2023 after the Supreme Court blocked former President Joe Biden's sweeping student-loan forgiveness plan.

The program was positioned as an alternative form of relief and slashed monthly payments, in part by basing them on a lower percentage of borrowers' discretionary income.

Many borrowers paid nothing under SAVE, and those with low balances were eligible for forgiveness earlier than under other programs.

But higher-education advocates worried from the start whether the plan would survive. The program faced immediate legal challenges from Republican-led states. A court ruling last summer blocked parts of the program and SAVE borrowers were placed in a no-interest forbearance.

Earlier this year, a federal appeals court issued a new injunction blocking its implementation.

The Education Department subsequently said it can no longer keep SAVE borrowers from accruing interest.

The Education Department is working through a backlog of nearly two million applications from borrowers seeking to switch repayment plans, according to a May report filed in continuing litigation.

Starting next summer, new borrowers will have just two options: a revised version of the existing standard plan or a new program called the Repayment Assistance Plan, or RAP.

An analysis by the Wharton School at the University of Pennsylvania estimates that borrowers' lifetime loan payments will increase nearly $3,700 on average under the new plans.

Shelly Cornwell, a 55-yearold accountant in Creve Coeur, Ill., earned her bachelor's degree in 2016. The degree allowed her to upgrade to a job that nearly doubled her salary but left her with $30,000 in student-loan debt. Cornwell switched to the SAVE plan when it was introduced.

"I've spent the last year in this state of limbo," Cornwell said.

She hadn't been making payments while her loans were in forbearance, and recently moved into another income- based plan so she can make progress toward forgiveness.

That plan, which is also scheduled to be phased out in 2028, has raised her monthly payments to roughly $300 a month, up from the less than $100 a month under SAVE.

Once she enrolls in the new RAP plan, Cornwell estimates she will have to pay $700 a month.

She's putting aside money from her paycheck to help cover the future expense. "I'm hoping I don't have to take on another part-time job," she said.