National Consumer Law Center

Repay or Die Trying: Proposal to Eliminate Income-Driven Repayment (IDR) Plans Threatens to Swell Ranks of Older Adults Struggling with Student Debt

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More than 13 million people rely on **Income-Driven Repayment (IDR)** plans to repay their federal student loans. IDR plans provide borrowers who cannot afford standard, fixed payments with an alternative way to repay based on their income and family size and to become student debt-free by making up to 25 years of payments.

As part of the ongoing budget reconciliation process, members of Congress are **considering a proposal to eliminate all existing Income-Driven Repayment (IDR) plans**. A key feature of existing IDR plans is that after making payments for a maximum 20 or 25 years, the borrower's payment obligation is satisfied and any remaining loan balance is discharged. This ensures that everyone who makes their required payments has a path to eventually get out from under student loan debt, regardless of their income. However, members of Congress are considering eliminating this protection.

One proposal being considered, which was included in the **College Cost Reduction Act (CCRA)** (H.R. 6951), would replace the existing IDR plans with a single repayment plan that would both **increase monthly payments for most borrowers** and remove the commitment to discharge any remaining balance after a maximum number of years of payments. Under this proposal, many low-income borrowers would be saddled with paying student loan debt for the rest of their lives. For these borrowers, the change would mean no light at the end of the tunnel — no opportunity to be free of student debt in their lifetime. This would increase the already growing problem of low-income and working-class people struggling with student loan debt in old age, at the cost of their financial security.

Under the CCRA, low-income older adults, who are among the fastest-growing group of borrowers, could be stuck in debt for their entire lives for pursuing education or job training.

- 3.5 million Americans age 60 and older have student loan debt.
- Older adults are the **fastest-growing segment of the population with student debt, increasing more than 500 percent over the last 20 years**.
- Older adults who still have debt from their own education are **financially struggling, with a third making less than $33,000 per year**, and are actually in a more precarious financial position than older adults who never went to college at all.

- This population of low-income older adults still struggling with student loan debt could explode if the CCRA student loan repayment plan is adopted, as low-income borrowers will no longer be relieved of their obligation to keep making payments after 20 or 25 years of payments.

- About **40% of older adults rely solely on an average of $1,913 in monthly Social Security benefits payments**. The CCRA would force many older adults to choose between paying student loan bills and paying for necessities such as food, utilities, and medication.

- There is no statute of limitations on student loans, and student loans are uniquely difficult to discharge in bankruptcy so without the 25-year payment cap, low-income borrowers **may remain in debt for the rest of their lives**, until they qualify for a death discharge.

The CCRA proposal would trap more older adults in student loan debt, increasing their likelihood of default and jeopardizing their financial stability.

- The longer a borrower stays in repayment, the **more likely they are to default**. More than half of older adults with federal student loan debt **have been in repayment for 15 years or more**.

- By eliminating discharges after 20 or 25 years of payments, the CCRA could significantly extend the time in repayment for low-income borrowers, increasing the risk of default.

- Default causes financial stress for most borrowers, but is uniquely threatening for older adults, who could lose **up to 15 percent of their Social Security disability and retirement benefits to Treasury offset**, making it significantly difficult for them to pay for life necessities such as food, shelter, and medicine. According to the Government Accountability Office (GAO), **seizures of Social Security benefits push many older adults with student debt into poverty**.

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The nonprofit National Consumer Law Center ® (NCLC ®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.