

RESEARCH REPORT

# The SAVE Plan for Student Loan Repayment

Which Fields and Colleges Benefit Most?

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# The SAVE Plan for Student Loan Repayment

During the 2020 campaign, President Biden proposed to reduce borrowers' payments in the income-driven repayment (IDR) plan for federal student loans, arguing the changes would make student debt more manageable for low- and middle-income borrowers and would encourage those who could benefit from IDR to enroll. The changes were also meant to ensure community college borrowers were “debt free within 10 years” and that borrowers earning less than a \$15 hourly minimum wage would not need to make payments.<sup>1</sup>

The administration initiated a rulemaking process in 2021 to develop the plan using a 1993 law that gives the secretary of education broad discretion to design and implement IDR plans without further action from Congress.<sup>2</sup> The new plan, called Saving on a Valuable Education (SAVE), was finalized this year and will be fully available to all federal student loan borrowers starting July 1, 2024.<sup>3</sup>

The plan replaces the existing Revised Pay as You Earn (REPAYE) plan. It lets undergraduate borrowers make lower monthly payments than in REPAYE (5 percent of their income above 225 percent of the federal poverty level instead of 10 percent of their income above 150 percent of the federal poverty level) and provides loan forgiveness earlier than any of the existing plans for borrowers with smaller debts (as soon as 10 years instead of 20 years). The SAVE plan also prevents all unpaid interest from accumulating when borrowers' monthly payments in the plan do not cover it.

These terms go further than what Biden proposed on the campaign trail and could be more significant in the long run than President Biden's broad-based forgiveness plan that the Supreme Court struck down in June 2023.<sup>4</sup> Historically, IDR plans have provided a safety net (albeit imperfect) to borrowers for whom college has not paid off, but an earlier Urban Institute analysis of the SAVE plan estimated that most undergraduate borrowers with typical debt levels could now have at least some of their loans forgiven if they enroll in IDR, especially those at community colleges (Chingos, Delisle, and Cohn 2023). That analysis illustrated how many students will now have an incentive to borrow because they are unlikely to be required to fully repay their loans.<sup>5</sup>

This report builds on the earlier Urban Institute analysis using data from the College Scorecard to examine how much borrowers in different degree programs and institutions stand to benefit.<sup>6</sup> We estimate what the typical borrower with typical earnings in each program of study will repay (or have forgiven) relative to what they borrowed if they use the SAVE plan. Our findings here align with those of

the earlier analysis but offer new details about the types of programs and institutions where loan forgiveness benefits are likely to be largest. We find the following:

- The new benefits in the SAVE plan (lower total payments and greater loan forgiveness) are effectively limited to borrowers from undergraduate programs and are largest for those pursuing certificates and associate's degrees. The plan is unlikely to increase benefits for the typical graduate borrower.
- Borrowers who complete certificates and use the SAVE plan would typically be required to pay back just 35 percent of the original principal balance of their loans. For associate's degree programs, the typical borrower's payments would cover 69 percent of the amount borrowed. Under current IDR, we estimate borrowers in these programs would typically repay their loans in full.
- Typical debt and earnings in at least one-third of undergraduate programs in each higher education sector will result in the typical borrower having some of their debt forgiven. The highest loan forgiveness rate will occur at for-profit institutions (74 percent of programs result in the typical borrower having some of their debt forgiven), and the lowest will occur at four-year programs at public institutions (34 percent). If we exclude programs likely to fail the Biden administration's gainful employment rule, the highest loan forgiveness rate will occur at public two-year institutions.
- Among large undergraduate fields, programs in the liberal arts and the humanities, psychology, medical assisting, and teacher education will see the largest reductions in the shares of borrowers fully repaying their loans. Registered nursing, finance, and engineering will see the smallest reductions.
- Large loan forgiveness benefits—those exceeding 50 percent the amount originally borrowed—will occur in 20 percent of undergraduate programs. That figure drops to 13 percent after excluding programs likely to fail the Biden administration's proposed gainful employment rule. Programs in cosmetology and medical assisting at for-profit colleges and programs in the liberal arts and general studies at community colleges make up the largest share of these high-loan-forgiveness programs. Bachelor's degree programs in psychology, education, and the fine arts at public and private nonprofit institutions also make up a small but notable share of programs where borrowers typically will receive large loan forgiveness benefits.

- Payment reductions and increases in loan forgiveness benefits under the SAVE plan will occur broadly across racial and ethnic groups but are skewed toward programs enrolling more Black and Hispanic students.

## Comparing the SAVE Plan with Current IDR

The federal government has provided broad access to an IDR plan since 2009, and additional plans have been added since. About half of all outstanding federal student loans were being repaid in IDR before the SAVE plan was available.<sup>7</sup> All IDR plans share three basic components: an income exemption, which is the amount of income excluded from the payment calculation (borrowers with low incomes make no payments); an assessment rate, which is the share of (nonexempt) income paid; and a time period until loan forgiveness.<sup>8</sup>

Relative to the most generous IDR plan currently available (Pay as You Earn, or Income-Based Repayment for new borrowers as of 2014), the SAVE plan reduces payments by increasing the exemption and reducing the assessment rate (table 1).<sup>9</sup> The SAVE plan also reduces time to forgiveness for undergraduate borrowers who take on less debt.

The terms of the SAVE plan will be available on all undergraduate loans. Loans for graduate education will qualify for some of the new terms, including the higher income exemption and forgiveness of unpaid interest each month. But to access those terms, graduate borrowers would have to forgo the earlier 20-year forgiveness term available on other IDR plans and qualify for loan forgiveness after 25 years of payments instead. Borrowers with debt from graduate or professional school would not be eligible for the lower 5 percent assessment rate either and would continue to pay a 10 percent rate. Borrowers with graduate and undergraduate debt would, however, pay an assessment rate between 5 and 10 percent, weighted according to the share of each type of debt they hold.

TABLE 1

## Details of Current and Biden Income-Driven Repayment Plans

	Current IDR	SAVE plan
Income exemption	150% of the federal poverty level (\$21,870 for an individual)	225% of the federal poverty level (\$32,805 for an individual)
Assessment rate	10%	5% of income for undergraduate debt and 10% for graduate debt; weighted rate based on combined balance
Time to forgiveness <sup>a</sup>	20 years	10 years if the amount borrowed is \$12,000 or less, plus 1 year for each additional \$1,000 borrowed, with a 20-year maximum (or a 25-year maximum for graduate borrowers)
Interest subsidy	Unpaid interest is forgiven only after 20 years, except in limited circumstances; balances can increase	Unpaid interest is forgiven monthly; balances cannot increase
Loans eligible <sup>b</sup>	Undergraduate and graduate	Undergraduate and graduate

**Sources:** "Income-Driven Repayment Plans," US Department of Education, accessed September 19, 2023, <https://studentaid.gov/manage-loans/repayment/plans/income-driven>; and *Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program*, 88 Fed. Reg. 1894 (January 11, 2023).

**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. See the appendix for assumptions.

<sup>a</sup> Under both plans, all borrowers can receive forgiveness after 10 years if they are eligible for the Public Service Loan Forgiveness program.

<sup>b</sup> Parent loans for undergraduates are not eligible, and we exclude them from this analysis. Parents may currently repay Parent PLUS loans through the least generous IDR plan (Income-Contingent Repayment) if they hold those loans as a consolidation loan in the direct loan program that was issued later than July 1, 2006.

## Estimating Loan Repayment Rates

To examine how the SAVE plan would change what borrowers would repay across different fields of study, we use the median debt and earnings data for each program in the College Scorecard to estimate what borrowers would repay on their loans. We use earnings data for the first and fourth years after students complete credentials (assuming a constant growth rate to impute second- and third-year earnings), and for subsequent years of repayment, we increase the earnings by a constant 5 percent rate.

We calculate the repayment amounts as a share of the original loan disbursement that would be repaid (repayment rate) if a borrower used each plan. Throughout this analysis, lifetime loan payments are discounted to present values. Repayment rates in our analysis can exceed the original disbursement even after discounting to net present values because the loan interest rates are higher than the discount rate. When comparing repayment rates under current IDR, we use the repayment terms under the current IDR option with the lowest monthly payments, the Pay as You Earn plan or the Income-

Based Repayment plan for new borrowers as of 2014 (“current IDR”).<sup>10</sup> See the appendix for more details. Our analysis does not account for programs that are likely to lose eligibility for federal aid under the Biden administration’s gainful employment rule (box 1), but we re-create key tables and figures in the appendix that show how our main findings change after excluding programs likely to fail the proposed rule.

Estimates in this report reflect what a borrower with typical debt and earnings who completed their degree program would repay if they used IDR or the SAVE plan. These estimates generally reflect a higher repayment rate than what is reported in official budget estimates for the loan program overall and the IDR program specifically (CBO 2023; White House 2023, 325–60). Our estimate thus *overstates* the amount that borrowers would repay if they use current IDR or the SAVE plan (this effect is most pronounced for graduate borrowers). For example, a US Department of Education document shows that borrowers with bachelor’s degrees who use current IDR would repay 77 percent of their original disbursement; our estimate shows they would repay 112 percent.<sup>11</sup> The difference likely results from several factors. Official repayment and budget estimates are based on only borrowers who enroll in IDR, a group that tends to have lower earnings and higher debts than the average program completer we use for our analysis. Our analysis also includes only the initial earnings of borrowers who completed their degrees and who are working, biasing our repaying estimates higher than the official budget estimates, which include all IDR enrollees regardless of whether they completed credentials or are working.<sup>12</sup>

## Changes to Loan Payments, by Credential Level

We first examine repayment rates by credential level and find that the SAVE plan provides the largest reduction in payments to borrowers with undergraduate certificates and associate’s degrees. Typical bachelor’s degree recipients will also see payment reductions. Graduate and professional borrowers, however, are unlikely to see their total payments decrease. (Bachelor’s and graduate borrowers are likely to see large payment reductions from the SAVE plan if they use Public Service Loan Forgiveness, but we do not include that program in our estimates.)<sup>13</sup> Thus, when looking at broad degree categories, the SAVE plan targets the largest new benefits to borrowers pursuing the shortest-term credentials.

Borrowers who complete certificates and use the SAVE plan would typically be required to pay back just 35 percent of the original principal balance of their loans over the repayment term (table 2). For associate’s degree programs, typical payments would cover 69 percent of what borrowers took out

in loans. Under current IDR, we estimate borrowers in these programs would typically repay their loans in full.

Borrowers with shorter-term credentials see the largest payment reductions mainly because their earnings are near the new, higher exemption in the SAVE plan (table 1). As a result, most or all of their income in the early years of repayment is now excluded from the payment calculation under the SAVE plan.

According to Scorecard data, certificate completers had typical earnings of \$31,637 in the first year after completing their program and about \$37,000 in the fourth year. Under the SAVE plan, those incomes require the borrower to pay between \$0 and \$20 monthly on their loans. The corresponding earnings for associate's degrees are \$43,768 and about \$52,000, which require monthly payments between \$50 and \$80.

Borrowers completing certificates and associate's degrees also tend to borrow amounts that qualify for earlier loan forgiveness under the SAVE plan, another factor that reduces what they must pay relative to current IDR. Based on the typical debt levels for these degrees, borrowers in the typical certificate program would qualify for loan forgiveness after 10 years of payments, on average. For associate's degrees, loan forgiveness would typically occur within 16 years. Under current IDR, loan forgiveness would not occur until after 20 years.

TABLE 2

## Estimated Repayment Relative to Amount Borrowed, by Credential Level and IDR Plan

	Typical debt of borrowers	Typical first-year earnings	Total Payments Relative to Amount Borrowed for Typical Completer	
			Current IDR	SAVE plan
<b>Undergraduate credentials</b>				
Certificate	\$11,994	\$31,637	103%	35%
Associate's degree	\$17,195	\$43,768	111%	69%
Bachelor's degree	\$25,632	\$50,420	112%	97%
<b>Graduate and professional credentials</b>				
Master's degree	\$52,532	\$75,970	122%	123%
Doctoral degree	\$110,506	\$95,015	118%	123%
Professional degree (e.g., law, medicine)	\$183,537	\$90,439	107%	116%
Certificate	\$57,435	\$81,039	124%	124%

Source: Urban Institute calculations using College Scorecard data.

Notes: Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. Assumes all borrowers use IDR. Repayment rates are the average for all programs at each credential level, weighted by the number of borrowers. Total payments are the net present value of lifetime estimated payments expressed as a share of the original principal disbursement and can exceed 100 percent because of interest payments. Payments are less than the original principal disbursement when borrowers qualify for loan forgiveness or have interest waived in IDR. Typical debt is calculated by averaging the median amount borrowed in federal loans for each program, weighted by the number of borrowers. Estimates for graduate and professional degrees do not include debt from undergraduate study.

Borrowers in the typical bachelor's degree program will see a smaller reduction in what they will need to repay on their loans under the SAVE plan than borrowers with associate's degrees and certificates. Their earnings (\$50,420 in the first year after completing credentials) are typically well above the income exemption under the SAVE plan, and their debts are above levels that would make them eligible for the earlier forgiveness benefits. Loan forgiveness would occur after 20 years of payments for them under the SAVE plan, the same as current IDR options. Borrowers in the average bachelor's degree program will, however, typically repay slightly less than they borrow when using the SAVE plan and will have some of their debt forgiven, a change from current IDR. The Scorecard data suggest these borrowers will repay 97 percent of what they borrowed, compared with 112 percent under current IDR. That equates to about a \$3,800 reduction in total payments on the typical balance of approximately \$26,000.

Graduate and professional students with typical debt and earnings are unlikely to receive new benefits from the SAVE plan. Graduate borrowers qualify for the higher exemption, which reduces their monthly payments, and they have unpaid interest canceled monthly under the SAVE plan, but those benefits are offset by the requirement that they repay longer before qualifying for loan forgiveness—25 years instead of 20 under the most beneficial IDR plan currently available. We estimate that these borrowers will typically be required to pay as much or more on their loans as they would under the

current IDR terms. Graduate borrowers are, however, likely to receive new benefits from the SAVE plan if they qualify for Public Service Loan Forgiveness (Delisle 2023). Because the typical graduate or professional borrower is unlikely to see lower total payments on their loans under the SAVE plan, the remainder of this report focuses on undergraduates.

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## BOX 1

### Effects of the Proposed Gainful Employment Rule

In May 2023, the Biden administration released its proposed gainful employment (GE) rule for programs to participate in federal aid programs. The proposed rule would require that program completers earn above the typical earnings for workers with only a high school diploma and that their loan payments not exceed a certain share of their income. The GE rule applies to all programs at private for-profit institutions and certificate programs at all types of institutions.

Once the rule is implemented, some programs are expected to lose eligibility for federal grant and loan programs. The estimates throughout this report do not account for those effects, but key figures and tables are included in the appendix that illustrate how our analysis changes after excluding programs likely to fail the proposed rule.

In addition to the information in the appendix, we replicated the analysis in table 2, excluding programs that would likely fail the proposed GE rule. Loan payments increase substantially but only for certificate programs, and payments in the remaining programs are still well below full repayment. In certificate programs, payments under the SAVE plan for the typical borrower would increase from 35 percent to 67 percent of the amount borrowed once GE is in effect. For associate's degrees, the effect is smaller because most of these degrees are offered at public two-year institutions and are therefore exempt from GE. Loan repayment increases from 69 percent to 72 percent of the amount borrowed for associate's degree programs. The effect on all other degree programs is negligible.

A separate Urban Institute analysis provides additional information on the effect the GE rule could have on how much debt borrowers repay or have forgiven under the SAVE plan.<sup>a</sup>

<sup>a</sup> Jason Delisle and Jason Cohn, "How the Gainful Employment Rule Will Affect Student Loan Repayment" (Washington, DC: Urban Institute, 2023).

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## SAVE Plan Repayment, by Undergraduate Program

Scorecard data are reported for individual fields of study at each institution and offer unique insight into the effects of the SAVE plan beyond those for the broad credential categories discussed above. In

this section, we gauge how much borrowers in each of the 20 largest undergraduate degree fields will benefit from the SAVE plan.

In contrast to the previous section, where we focus on the average amount repaid relative to the original loan balance, in this section, we measure the share of programs within each field where the typical borrower will fully repay their debt if they use current IDR and the SAVE plan. This approach helps identify fields of study that will most frequently receive subsidies under the SAVE plan and can help policymakers assess whether the program is delivering benefits in the way they intended. Furthermore, this approach helps identify fields where earnings are consistently low relative to what students borrow and could impose the largest financial costs on the federal loan program.

Measuring whether the typical borrower is likely to fully repay does not, however, reveal the size of loan forgiveness benefits in each field, only the frequency with which programs result in some amount of loan forgiveness. Because of data limitations, we cannot estimate the share of borrowers in each program fully repaying, only what a typical borrower would repay.<sup>14</sup>

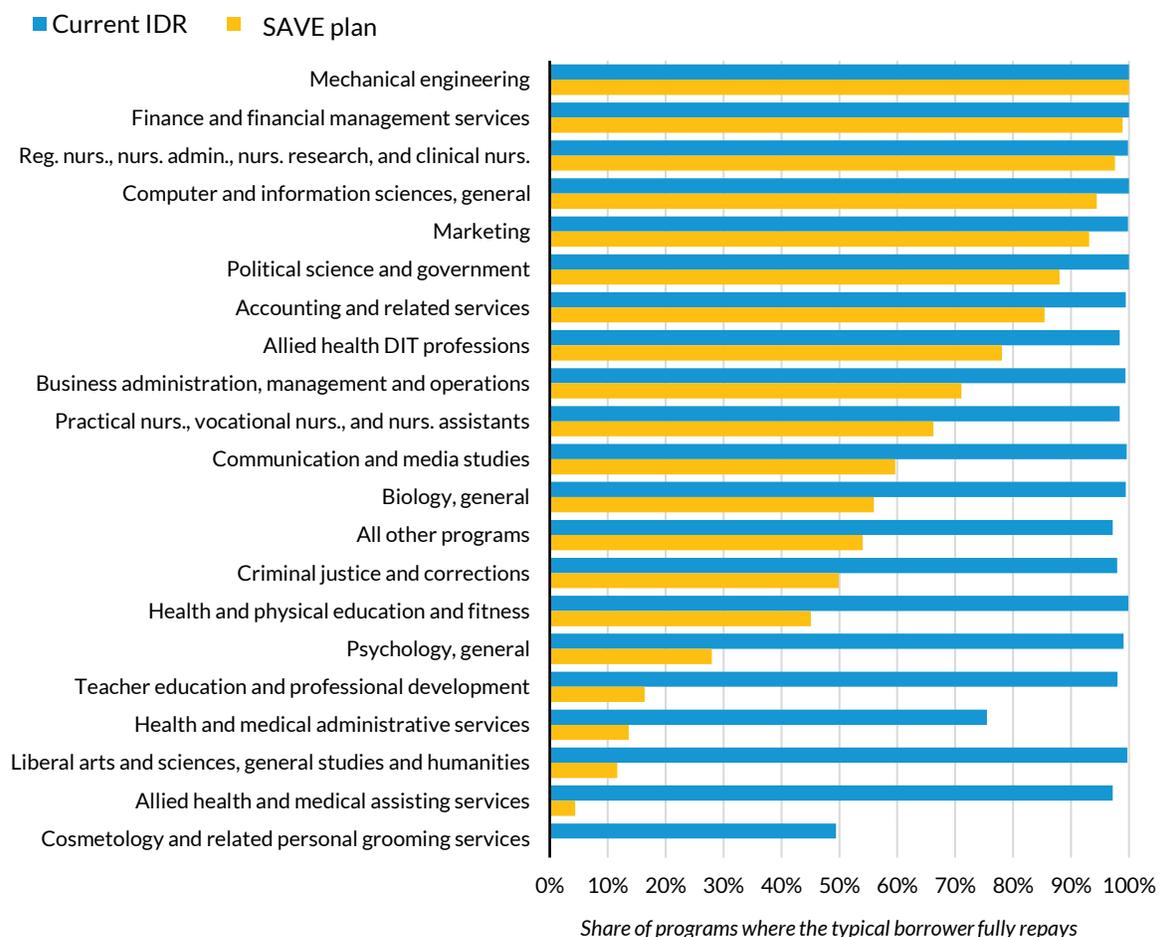
Nearly all of the largest undergraduate fields will see at least some reduction in the share of programs where borrowers would typically fully repay, but the biggest changes are concentrated in four fields (figure 1). Programs in medical assisting, which are largely certificate-level programs, see the largest reduction. In 97 percent of these programs, borrowers would be expected to fully repay their loans, on average, if they use current IDR. That drops to just 4 percent under the SAVE plan, meaning borrowers in 96 percent of programs in medical assisting can expect to have at least some of their debt forgiven if they make the required income-based payments in IDR.

Programs in the liberal arts, general studies, and humanities also see a large drop in the share of programs where most borrowers will fully repay. These are predominantly associate's degrees, but about one in four are bachelor's degrees. Under current IDR, we estimate that borrowers will typically repay their loans in full in almost all programs in this field. But under the SAVE plan, the borrowers in most programs offering degrees in this field will typically have some of their debt forgiven.

The share of programs where borrowers are not required to fully pay off their loans will also increase significantly in two large bachelor's degree fields: teacher education and psychology. Under current IDR, nearly all of these programs would see the typical borrower fully repaying their loans. Under the SAVE plan, only about one in four psychology programs would result in earnings high enough that borrowers would typically fully repay their debt, meaning borrowers in most of these programs will have some of their debts forgiven.

FIGURE 1

Share of Undergraduate Programs in Each Field Where Typical Borrowers Will Fully Repay Their Loans When Using IDR



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Source: Urban Institute calculations using College Scorecard data.

Notes: Current IDR = Pay as You Earn; DIT = diagnostic, intervention, and treatment; IDR = income-driven repayment; nurs. = nursing; reg. = registered; SAVE = Saving on a Valuable Education. Includes the 20 largest undergraduate fields of study ranked by repayment rates in the SAVE Plan. Full repayment is when borrowers repay the full loan disbursement in present-value terms when using IDR. Estimates are weighted by the number of borrowers in each program and assume all borrowers use IDR. Programs are primarily bachelor’s degrees unless they are primarily associate’s degrees (liberal arts and sciences, general studies, and humanities), primarily certificates (practical nursing, vocational nursing, and nursing assistants; allied health and medical assisting services; and cosmetology and related personal grooming services), or a mix of associate’s degrees and certificates (health and medical administrative services).

In teacher education programs, fewer than one in five programs generates earnings high enough that the typical borrower fully repays. Borrowers with psychology and teacher education bachelor’s degree credentials tend to have some of the lowest initial earnings among bachelor’s degree recipients, and much of their earnings are below the exemption in the SAVE plan, leading to high rates of loan

forgiveness. Median earnings among psychology degree recipients are \$34,000 in the first year after completion. Among those with degrees in education, initial median earnings are \$43,000. Debts for these degrees are not, however, unusually high. They are in line with debt levels for bachelor's degrees generally.

Several fields see little change in the share of programs where borrowers are likely to fully repay their loans once the SAVE plan becomes available. These include programs in registered nursing, mechanical engineering, computer science, finance, and marketing and are predominately bachelor's degree programs, though about 30 percent of programs in registered nursing are at the associate's level. These fields have some of the highest earnings among undergraduate fields, and borrowers therefore do not see their overall payment on their loans reduced under the SAVE plan. Borrowers in most of these programs were expected to fully repay under current IDR and will continue to under the SAVE plan.

## Repayment Effects, by Sector

We next examine loan payment reductions under the SAVE plan in each higher education sector. We separate undergraduate programs within each sector into four groups based on how much the typical borrower in these programs will repay if using IDR:

- The typical borrower repays none of their debt and has all of it forgiven.
- The typical borrower repays some of their debt but less than half the original disbursement, and the rest is forgiven.
- The typical borrower repays more than half the original disbursement but not the full amount and has some forgiven.
- The typical borrower repays the full amount disbursed.

Examining programs with this approach can illustrate the share of programs within each sector where borrowers will benefit from IDR and the size of those benefits. On average, typical borrowers in for-profit programs and certificate and associate's degree programs at public institutions will see the largest reductions in the amount of their debt they must repay because of the SAVE plan (figure 2).

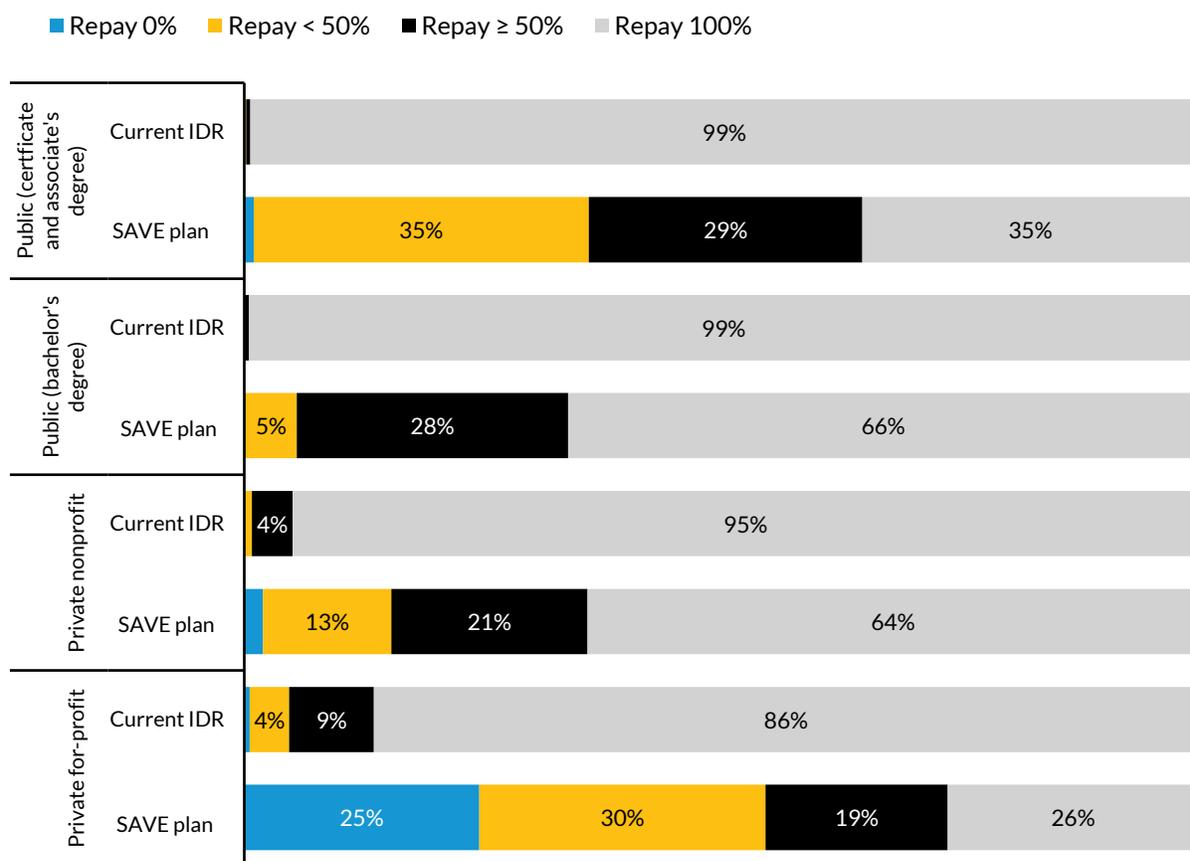
For-profit institutions are the only sector where a high share of programs (25 percent) is likely to result in borrowers having their entire loan balances forgiven without ever making a payment. (The share drops to just 3 percent of programs at for-profit institutions when we exclude programs likely to

fail the Biden administration’s proposed gainful employment regulation; see appendix figure A.1). In these programs, the typical earnings are below the exemption in the SAVE plan, and even with assumed income growth, earnings will remain below it for the entirety of borrowers’ repayment terms, resulting in full loan forgiveness.

**FIGURE 2**

**Distribution of Repayment Rate Groups under Current IDR and the SAVE Plan, by Sector**

*More borrowers across all sectors of higher education will have some of their debt forgiven under the SAVE plan*



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**Source:** Urban Institute calculations using College Scorecard data.

**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. The four repayment groups are based on the share of the original principal disbursement borrowers are estimated to repay in present dollars when using IDR. Loan payments are estimated for all undergraduate certificate, associate’s degree, and bachelor’s degree programs in the College Scorecard and assume all borrowers repay using IDR. Private nonprofit programs are nearly all bachelor’s degree programs, but the figure includes all credentials. Private for-profit programs are predominantly certificates, but the figure includes all credentials.

Borrowers in nearly two-thirds of certificate and associate’s degree programs at public institutions (mainly community colleges) can expect to have at least some of their debt forgiven. Unlike in the for-

profit sector, however, very few programs result in borrowers making no payments on their debt because postcompletion earnings are higher in the public two-year sector. But many community colleges will still generate substantial loan forgiveness under the SAVE plan. We estimate that in 36 percent of programs at two-year institutions, the typical borrower is likely to repay less than half of what they borrowed and have the remaining balance forgiven.

In the public and private nonprofit four-year sector, we estimate that the typical borrower in most programs will fully repay their loans under the SAVE plan. But about a third of programs in these sectors are likely to see borrowers having at least some of their loan balance forgiven. Loan forgiveness rates among bachelor's degree programs are likely to be highest in psychology and teacher education.

## High-Loan-Forgiveness Programs

When undergraduate borrowers qualify for loan forgiveness under current IDR, the amount of debt that will typically be forgiven is often a small share of what they borrowed. Borrowers tend to pay off much of the original balances before they would qualify for loan forgiveness after 20 years of payments. We estimate that under current IDR, borrowers in just 1 percent of undergraduate programs are likely to repay less than half of what they borrow. Under the SAVE plan, we estimate that the typical borrower in 20 percent of undergraduate programs will repay less than half of what they originally borrowed (table 3).

It is important that policymakers understand which programs and sectors result in these high levels of loan forgiveness under the SAVE plan. These programs will receive large subsidies in the form of loan forgiveness attributable to graduates' low earnings relative to how much debt they take on. Borrowers may have incentives to take on federal student loans in these programs or borrow more than they otherwise would. Policymakers may want to consider potential reforms that target these high-loan-forgiveness programs where borrowers have unaffordable debts and typically repay less than half of what they borrow if they were to use the SAVE plan.

TABLE 3

### Share of Programs in Each Sector Where Borrowers Will Typically Repay Less Than Half the Amount Borrowed When Using IDR

	Current IDR	SAVE plan
Public, certificate or associate's degree	0%	36%
Public, bachelor's degree	0%	5%
Nonprofit	1%	15%
For-profit	5%	55%
Total, all undergraduates	1%	20%

**Source:** Urban Institute calculations using College Scorecard data.

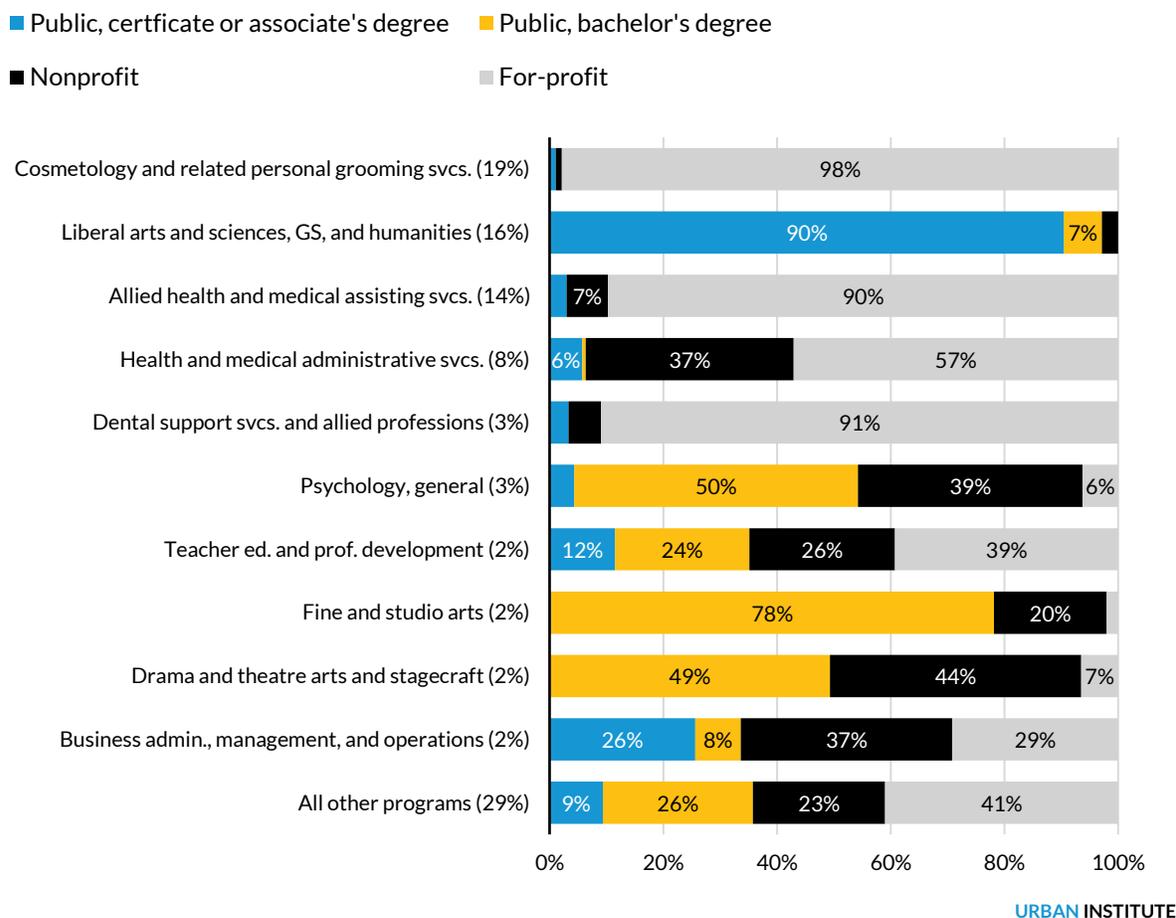
**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. Assumes all borrowers in all programs use IDR. Repaying less than half the amount borrowed is defined here as borrowers repaying less than 50 percent of the original loan disbursement in present-value terms when using IDR. These borrowers qualify for IDR's loan forgiveness benefits. Includes certificate, associate's degree, and bachelor's degree programs. Typical debt is calculated by averaging the median amount borrowed in federal loans for borrowers only in each program, weighted by the number of borrowers.

Within each sector, we estimate that in 36 percent of programs at public two-year institutions, the typical borrower will repay less than half of what they originally borrowed. In the private, for-profit sector, 55 percent of programs will result in the typical borrower repaying less than half of what they borrowed. The proposed gainful employment regulations are unlikely to change the statistic for public two-year institutions because associate's degree programs are exempt from the rule (appendix table A.1). The rule will, however, cut the share of high-loan-forgiveness programs to 22 percent of programs at for-profit institutions. That means that after the gainful employment rule takes effect, a higher share of programs at public two-year institutions than those at private for-profit institutions will result in the typical borrower repaying less than half their debt than at private for-profit institutions.

Under current IDR, most high-loan-forgiveness programs are certificate programs in cosmetology. But under the SAVE plan, high-loan-forgiveness programs occur in a somewhat broader set of programs and institutions. Figure 3 shows the 10 largest fields of study where borrowers will typically have at least half their loans forgiven if they use the SAVE plan. Cosmetology is still the largest field in the group, accounting for 19 percent of high-loan-forgiveness programs. Liberal arts and general studies degrees (mainly associate's degrees from public two-year institutions) make up the second-largest field, accounting for 16 percent of programs where borrowers will repay less than half of what they borrowed. Bachelor's degrees in psychology, education, and the fine arts also make up a small but notable share of programs where borrowers typically will receive large loan forgiveness benefits. Appendix figure A.2 shows the largest programs after excluding programs that are likely to fail the gainful employment rule.

FIGURE 3

Ten Largest Fields and Sector Distribution Where Borrowers Will Repay Less Than Half the Amount Borrowed If Using the SAVE Plan



Source: Urban Institute calculations using College Scorecard data.

Notes: GS = general studies; SAVE = Saving on a Valuable Education; svcs. = services. The figure includes the 10 largest fields of study where borrowers will repay less than half of what they borrowed, ranked largest to smallest, with the share they represent of that group noted in parentheses. Private nonprofit and private for-profit programs include certificates, associate’s degrees, and bachelor’s degrees combined. Loan payments are estimated for each program in the College Scorecard, and only programs where payments are estimated to be less than 50 percent of the amount borrowed in present-value terms are included in this figure.

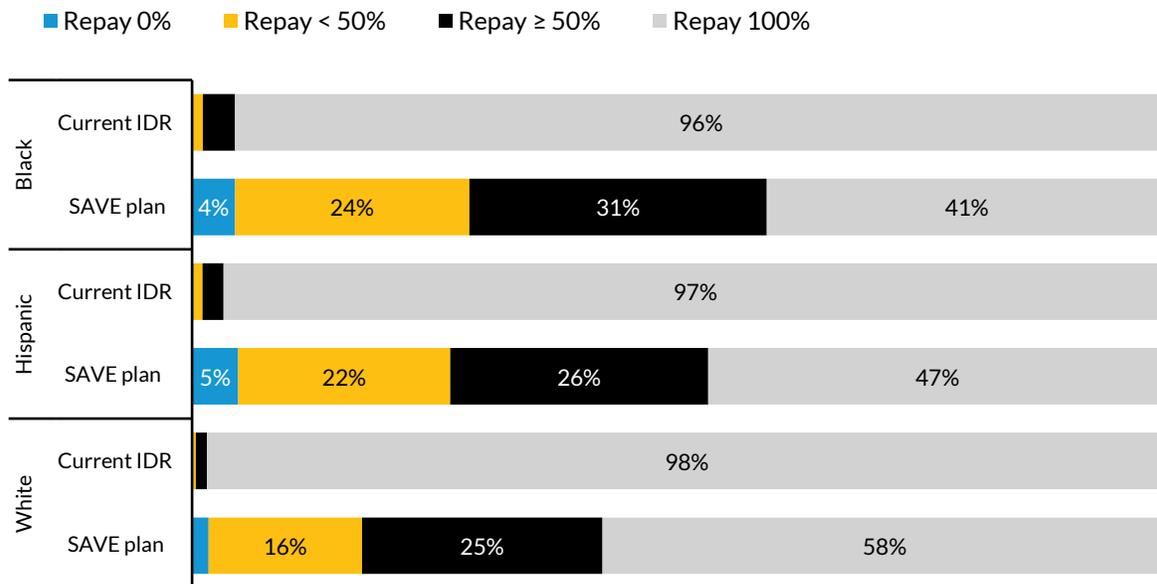
## Repayment Rates and Benefits, by Race and Ethnicity

Assessing how reductions in loan payments and increases in forgiveness benefits under the SAVE plan will be distributed among different racial and ethnic groups can provide important information about the effects of the new policy. Black and Hispanic students bear disproportionate student debt and

default burdens, so it is important to consider how much the SAVE plan addresses repayment burdens by race and ethnicity.

The debt and earnings data we use throughout this analysis do not include information on race and ethnicity directly. We can observe data on the number of students in different racial and ethnic groups who earn credentials in each program in the Scorecard, but we cannot observe the earnings and debt burdens by race and ethnicity; only program averages and medians are available. To assess the policy’s effects by race and ethnicity, we gauge the share of credentials earned by Black, Hispanic, and white students in programs that are likely to result in different amounts of loan forgiveness. This provides only a high-level overview of the distribution of benefits under the SAVE plan by race and ethnicity.

**FIGURE 4**  
**Distribution of Repayment Rate Groups under Current IDR and the SAVE Plan, Weighted by Completers’ Race or Ethnicity**  
*Programs enrolling more Black and Hispanic students produce outcomes that will lead to more loan forgiveness*



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**Source:** Urban Institute calculations using data from the College Scorecard and the Integrated Postsecondary Education Data System.

**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. The four repayment groups are based on the share of the original principal disbursement that borrowers are estimated to repay in present dollars when using IDR. Loan payments are estimated for all undergraduate certificate, associate’s degree, and bachelor’s degree programs in the College Scorecard and assume all borrowers repay using IDR. Programs are weighted according to the number of completers in each racial and ethnic group, which includes borrowers and nonborrowers.

For this portion of the analysis, we again divide all programs in the Scorecard into four groups based on how much borrowers in these programs will typically repay if using IDR. We then measure the share of credentials awarded to all students in each racial and ethnic group that fall into each of the repayment groups. We find that all three racial and ethnic groups we analyzed attend programs that will see payment reductions and loan forgiveness benefits under the SAVE plan, but both the total amount of benefits and the increase in benefits will be more targeted toward programs enrolling more Black and Hispanic students.

We find that 59 percent of credentials Black students earned occur in programs where borrowers will typically have some of their debt forgiven under the SAVE plan, up from just 4 percent under current IDR. Among Hispanic students, 53 percent of credentials are awarded in programs that will qualify for loan forgiveness under the SAVE plan, compared with only 3 percent under current IDR. A higher share of white students is also likely to have some of their debt forgiven under the SAVE plan, but it is a smaller share than either Black or Hispanic students. We estimate that 42 percent of white students earn credentials from programs where students will typically have some of their debt forgiven, up from just 2 percent under current IDR. These findings may understate the targeting of benefits toward Black and Hispanic students because we have data only on program median debt and earnings, but Black students tend to borrow more than white students, and Black and Hispanic workers tend to earn less than white workers with the same levels of education.

## Policy Implications

The availability of the new SAVE plan and its large reduction in loan payments for many students and sectors has several implications for higher education policy. Most of these stem from the fact that student loans (and loan forgiveness) will become a more central part of how the federal government finances higher education as a result of the SAVE plan. Budget costs for the loan program help illustrate this effect. The cost of the federal loan program historically has been relatively low (less than \$1 billion annually in 2019), but with the SAVE plan and other recent changes, the Congressional Budget Office estimates costs will exceed \$20 billion annually, and those costs are likely to increase as the agency more fully incorporates the effects of the SAVE plan (CBO 2023, n.d.). That will put the student loan program costs on par with the \$28 billion Pell Grant Program for undergraduates.

Historically, the expectation in the student loan program was that students would fully repay the loan except in unusual circumstances. That helped signal to students that they should borrow prudently and avoid debt if they did not need it (though some research suggests that discouraging students from

taking on debt actually had negative effects on some outcomes<sup>15</sup>). These conditions also meant that student debt could be viewed as a proxy for affordability: programs and institutions with higher student debt could be categorized as less affordable.

With the SAVE plan, these notions are now less straightforward. The odds are high that a student will be required to repay only part of the loan, especially in certificate and associate's degree programs. As we found in our analysis, on average, a borrower in a certificate program can expect to repay only a third of what they borrowed (absent any accountability policies, such as the Biden administration's proposed gainful employment regulation); an associate's degree borrower would repay only about two-thirds. These findings suggest that in many cases, students in these programs could be encouraged to take on federal student loans and err on the side of borrowing more. That will require a major change in how policymakers, students, and colleges understand student debt.

This report focuses on the benefits of the SAVE plan by fields of study and finds that borrowers in many fields will qualify to have debt forgiven because their earnings are not sufficient to repay their loans. That is how the SAVE program is supposed to work, creating a safety net for low earnings and unaffordable debt, but it could also reduce incentives for students and institutions to avoid enrolling in and offering such programs, respectively. As a result, policymakers may need to consider new quality assurance measures to guard against institutions using the SAVE plan to underwrite low-quality programs. Our analysis also suggests that low-earning programs will, for the first time in the history of the student loan program, generate significant amounts of loan forgiveness, which could increase pressure on policymakers to enact quality assurance policies to guard against such effects.

Designing such a policy will, however, be challenging because many observers may find it difficult to determine whether a program that results in low loan repayment rates under SAVE is a low-quality program or a program that provides socially valuable credentials and therefore should be subsidized by the government *because* it results in low earnings. Our analysis makes clear that programs where borrowers are likely to have some of their debts forgiven are spread across a diverse set of institutions and programs. A policy that uses debt and earnings limits to prevent one set of programs, such as cosmetology programs at for-profit colleges, from taking advantage of the SAVE plan is likely to do the same to liberal arts degrees at community colleges, as well as psychology and education degrees at public and private nonprofit four-year institutions. Many of those programs will have similar loan repayment profiles under the SAVE plan and will result in high rates of loan forgiveness.

Finally, as the SAVE plan is set to provide larger benefits to a broader set of borrowers and may even encourage many students to take on student debt, policymakers must ensure the program is

administered in an efficient and fair manner. Past IDR plans have been plagued by confusing rules, insufficient information for borrowers, and a lack of administrative capacity. Although reforms are under way to address these issues, the larger role student loans and IDR under the SAVE plan are set to play in financing undergraduate education has increased the importance of those efforts.

# Appendix

## Data and Assumptions for Repayment Estimates

All statistics are reported in 2023 dollars. All repayment estimates are calculated using program-level data in the College Scorecard. These data are for program completers only. Programs are weighted by the number of borrowers in all cases, except in the portion of this analysis that examines repayment by race and ethnicity, which weights programs by the number of completers of each racial and ethnic group. 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.

Only completers who are working are included in the earnings data; nonworking individuals are excluded, biasing the earnings we use in our estimate higher than they would be if the entire cohort of working and nonworking individuals were included. 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 2023 federal poverty level used for the exemption in IDR, a 4.99 percent interest rate on undergraduate loans, and that borrowers make all payments on time with no early payments.

We do not incorporate any loan forgiveness that borrowers eligible for Public Service Loan Forgiveness would receive under that program. All loan forgiveness benefits in our analysis are those under the standard benefit provided in IDR that are linked to time in repayment and amount borrowed only. Graduate borrower estimates under current IDR assume those borrowers use the PAYE program because it provides earlier loan forgiveness (20 years of payments) than the REPAYE plan.

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).

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. A borrower's payment is capped at what payments would be under a 10-year fixed payment plan in current IDR, even if their income-based payment would result in a higher payment than that amount. This is a benefit provided to borrowers using Income-Based Repayment and PAYE (but not REPAYE), as it reduces what they would otherwise pay on the loan. The SAVE plan does not include this benefit and allows payments to increase above what they would be under the standard 10-year plan if a borrower's income increases. This difference affects repayment for some high-income borrowers.

## Effects of the Proposed Gainful Employment Rule

TABLE A.1

### Share of Programs in Each Sector Where Borrowers Will Typically Repay Less Than Half the Amount Borrowed When Using IDR

*Excluding programs likely to fail the proposed gainful employment rule*

	Current IDR	SAVE plan
Public, certificate or associate's degree	0%	35%
Public, bachelor's degree	0%	5%
Nonprofit	1%	14%
For-profit	1%	22%
Total, all undergraduates	0%	13%

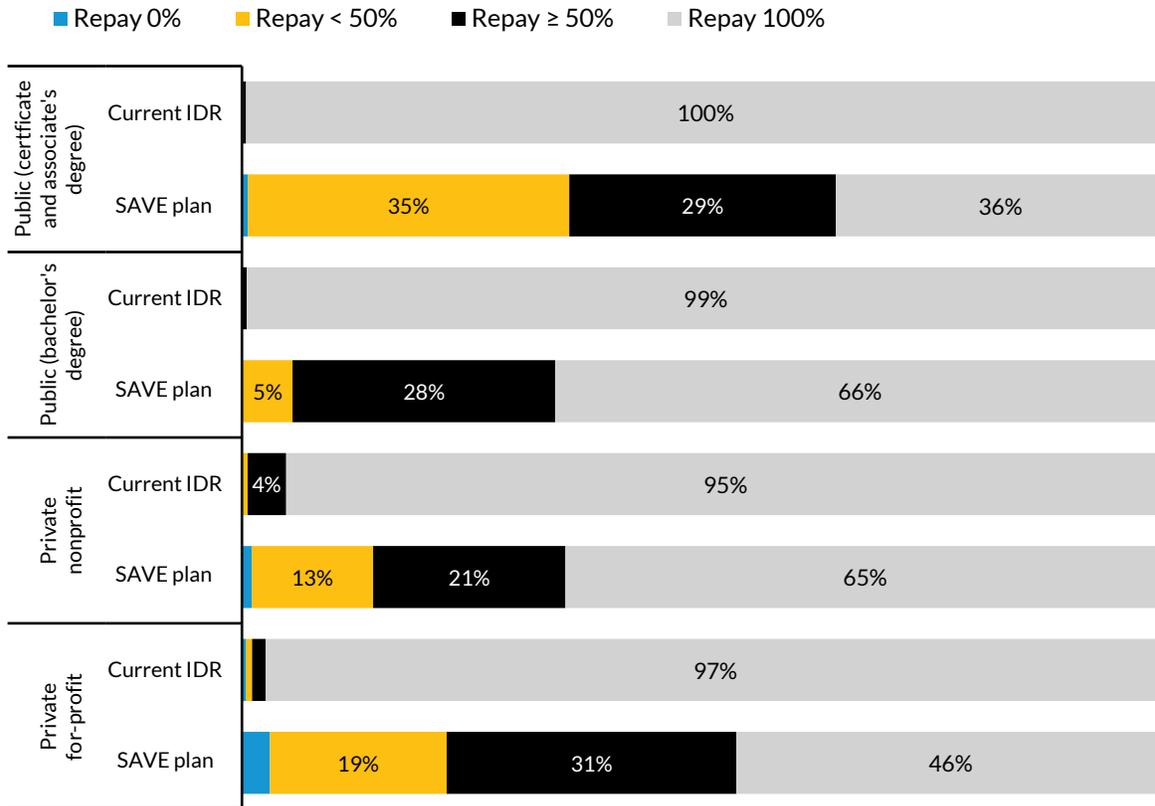
**Source:** Urban Institute calculations using College Scorecard and US Department of Education data.

**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. Assumes all borrowers in all programs use IDR. Repaying less than half the amount borrowed is defined here as borrowers repaying less than 50 percent of the original loan disbursement in present-value terms when using IDR. These borrowers qualify for IDR's loan forgiveness benefits. Includes certificate, associate's degree, and bachelor's degree programs. Typical debt is calculated by averaging the median amount borrowed in federal loans for borrowers only in each program, weighted by the number of borrowers.

FIGURE A.1

**Distribution of Repayment Rate Groups under Current IDR and the SAVE Plan, by Sector**

Excluding programs likely to fail the proposed gainful employment rule



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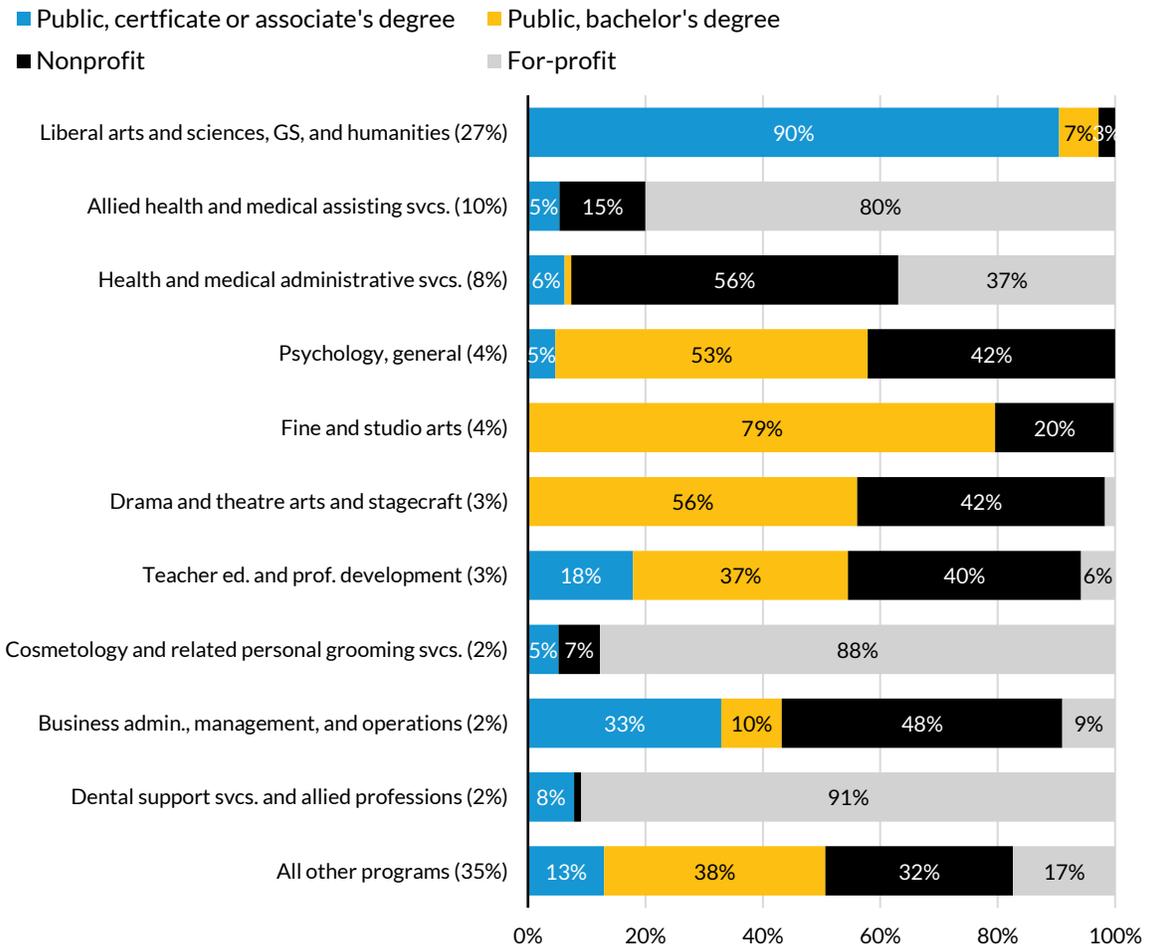
**Source:** Urban Institute calculations using College Scorecard and US Department of Education data.

**Notes:** Current IDR = Pay as You Earn; IDR = income-driven repayment; SAVE = Saving on a Valuable Education. The four repayment groups are based on the share of the original principal disbursement borrowers are estimated to repay in present dollars when using IDR. Loan payments are estimated for all undergraduate certificate, associate's degree, and bachelor's degree programs in the College Scorecard and assume all borrowers repay using IDR. Private nonprofit programs are nearly all bachelor's degree programs, but the figure includes all credentials. Private for-profit programs are predominantly certificates, but the figure includes all credentials.

FIGURE A.2

**Ten Largest Fields and Sector Distribution Where Borrowers Will Repay Less Than Half the Amount Borrowed If Using the SAVE Plan**

*Excluding programs likely to fail the proposed gainful employment rule*



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**Source:** Urban Institute calculations using College Scorecard and US Department of Education data.

**Notes:** GS = general studies; SAVE = Saving on a Valuable Education; svcs. = services. The figure includes the 10 largest fields of study where borrowers will repay less than half of what they borrowed, ranked largest to smallest, with the share they represent of that group noted in parentheses. Private nonprofit and private for-profit programs include certificates, associate's degrees, and bachelor's degrees combined. Loan payments are estimated for each program in the College Scorecard, and only programs where payments are estimated to be less than 50 percent of the amount borrowed in present-value terms are included in this figure.

# Notes

- <sup>1</sup> White House, “FACT SHEET: President Biden Announces Student Loan Relief for Borrowers Who Need It Most,” press release, August 24, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/>.
- <sup>2</sup> See OPE (2021). The authority to design and implement IDR plans was provided in the Omnibus Budget Reconciliation Act of 1993.
- <sup>3</sup> See also [Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan \(FFEL\) Program: Final Regulations](#), 88 Fed. Reg. 43820 (Jul. 10, 2023).
- <sup>4</sup> President Biden’s 2020 campaign proposal for IDR would have maintained the current 20-year loan forgiveness threshold. But the proposed plan announced in 2022 and later published in the Federal Register allows for loan forgiveness as early as 10 years after a borrower begins repayment. See “The Biden Plan for Education Beyond High School,” JoeBiden.com, accessed September 26, 2023, <https://web.archive.org/web/20200821115455/https://joebiden.com/beyondhs/>; and *Biden v. Nebraska*, 600 U.S. \_\_\_ (2023).
- <sup>5</sup> The Congressional Budget Office also estimates the availability of the SAVE plan will lead to a 12 percent increase in the amount students borrow in federal loans. See Phillip L. Swagel, “Costs of the Proposed Income-Driven Repayment Plan for Student Loans,” letter to Virginia Foxx and William Cassidy, March 13, 2023, <https://www.cbo.gov/system/files/2023-03/58983-IDR.pdf>.
- <sup>6</sup> In this analysis, we estimate that more borrowers will repay larger shares of their debt than in the January 2023 Urban Institute analysis (Chingos, Delisle, and Cohn 2023). The difference is attributable mainly to the different datasets used for each analysis. The January 2023 analysis used data for a representative sample of undergraduates, the 2012 Beginning Postsecondary Students Longitudinal Study (BPS). The analysis in this report uses data from the College Scorecard. The BPS dataset includes a distribution of completers’ earnings that were used in the January 2023 analysis, while the Scorecard provides aggregate statistics for completers’ earnings. Median earnings reported in the Scorecard, when averaged for all programs, tend to be higher than a similar statistic in the BPS, which results in higher repayment rate estimates. Data on student debt in the Scorecard, when averaged across all programs, is also lower than the median debt reported in the BPS, also increasing repayment rate estimates in this analysis. The analysis in this report also matches debt to earnings for completers at each individual program of study, whereas the earlier analysis used the median debt for completers in each broad degree category. Matching debt and earnings at the program level also increases repayment estimates because lower-earning programs tend to have lower debts.
- <sup>7</sup> Swagel, “Costs of the Proposed Income-Driven Repayment Plan.”
- <sup>8</sup> In all cases, income is defined as adjusted gross income, which excludes items such as pretax payments for health insurance premiums and retirement plan contributions, as well as “above the line” tax deductions, including student loan interest payments (see “Definition of Adjusted Gross Income,” Internal Revenue Service, accessed January 12, 2023, <https://www.irs.gov/e-file-providers/definition-of-adjusted-gross-income>).
- <sup>9</sup> For undergraduates, the Income-Based Repayment and Pay as You Earn plans are similar to the original REPAYE plan (before the Biden administration’s proposed changes), another income-driven repayment plan that enrolls fewer borrowers than the other two plans combined. Monthly payments are based on the same exemption and assessment rate. The results in this analysis would be the same if we used the REPAYE plan as the comparison. The REPAYE plan is less generous than these plans, however, because borrowers with graduate school debt qualify for loan forgiveness after 25 years of payments, not 20. And borrowers’ monthly payments in REPAYE are not capped at the 10-year standard plan amount when their incomes increase, as they are in the other plans.

- <sup>10</sup> “Income-Driven Repayment Plans,” US Department of Education, Office of Federal Student Aid, accessed September 19, 2023, <https://studentaid.gov/manage-loans/repayment/plans/income-driven>.
- <sup>11</sup> The department’s estimate in this case excludes the effect of any loan defaults, prepayments, or Public Service Loan Forgiveness. See US Department of Education (n.d.).
- <sup>12</sup> Our estimates are based on debt and earnings for the median program completer who borrows a federal student loan, regardless of what repayment plan they actually use. Official repayment and budget estimates are based on only borrowers who enroll in IDR (who tend to have lower earnings and higher debts) and on the full distribution of debt and earnings for all borrowers, including those who did not complete their degrees. Differences in earnings growth and household size may also explain lower repayment rates in official estimates. Official budget estimates for IDR and the loan program overall also include other repayment dynamics that we exclude, such as forbearances, deferments, defaults, Public Service Loan Forgiveness, and other loan discharges, all of which would lead to lower repayment rates than we estimate. The Scorecard earnings data we use for our estimates also reflect only borrowers who are working, whereas official estimates include the lower earnings of nonworking borrowers, which reduces repayment rates. Because of data limitations, our estimate also excludes graduate borrowers’ undergraduate debt, which overstates a borrower’s total payments in IDR because all their payments are attributed to only their graduate debt.
- <sup>13</sup> For estimates on the effects of the SAVE plan and Public Service Loan Forgiveness, see Delisle (2023).
- <sup>14</sup> Our standard for full repayment under the SAVE plan is also somewhat lenient because payments are discounted at a lower rate (3 percent) than the interest rate on the loan (5 percent). As a result, loans with a relatively small share of the original balances forgiven are still counted as fully repaid.
- <sup>15</sup> Jason Delisle and Oded Gurantz, “Why Student Loans Are Actually a Good Thing,” RealClearEducation, August 26, 2020, [https://www.realcleareducation.com/articles/2020/08/26/why\\_student\\_loans\\_are\\_actually\\_a\\_good\\_thing\\_110461.html](https://www.realcleareducation.com/articles/2020/08/26/why_student_loans_are_actually_a_good_thing_110461.html).

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