

US graduates brace for return of student loan repayments

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US federal student loans will start accumulating interest again from September 1, 2023 after a three-year pause caused by the Covid-19 pandemic.

After a three-and-a-half year pandemic-era pause, US federal student loans start accumulating interest again from Friday, with repayments set

to cut the monthly take-home pay of millions of Americans by hundreds, and in some cases thousands, of dollars.

Joe Biden campaigned for president on a pledge to forgive at least \$10,000 in [student](#) loan debt for millions of Americans, and unveiled a \$400 billion program to do just that after taking office.

But on June 30, the US Supreme Court ruled that his administration had overstepped its authority, and struck down the student loan forgiveness program.

As a result, interest on outstanding loans is back, with repayments due to restart from October.

"It was disappointing, but not surprising," Tiffanie Brown, a 43-year-old from Baltimore County, Maryland, with more than \$100,000 in outstanding [student loans](#), told AFP.

'Anxious' borrowers

More than 46 million people in the United States have outstanding student loans totaling more than \$1.6 trillion, according to data from the Department of Education.

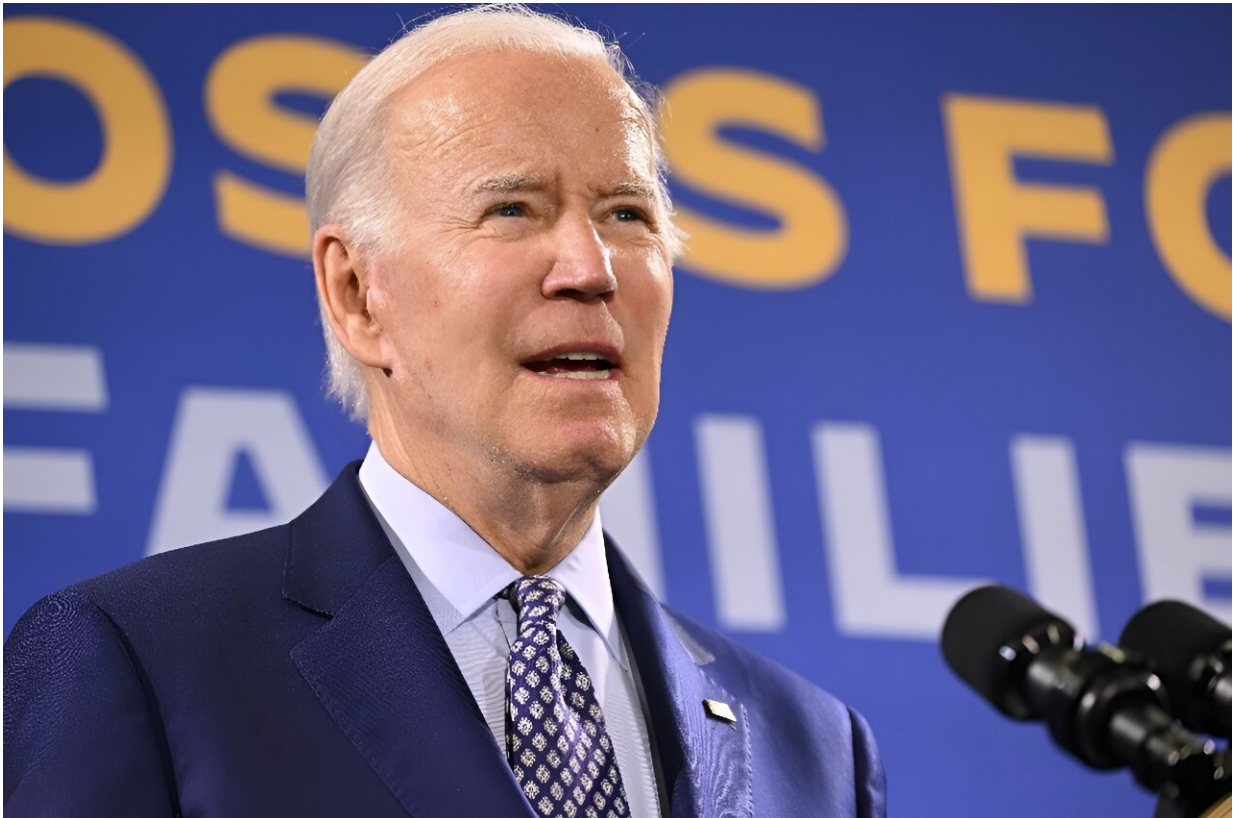
In the state of Maryland, residents with student loan debt owe more than \$43,000 on average, according to AFP analysis of Department of Education data—the second-highest figure in the country after the District of Columbia (DC).

But unlike its wealthier neighbor, Maryland's per capita personal income was lower than nine other states and DC last year, according to Department of Commerce data, adding to the challenges of loan repayment.

"We're seeing that people are starting to get anxious about this," Dr. Tisa Silver Canady, a financial wellness advocate and founder of the Maryland Center for Collegiate Wellness, told AFP, referring to the return of loan repayments.

Some Americans, like Tiffanie Brown, have been able to successfully restructure their student loans.

This has allowed them to reduce—and even halt—their monthly student loan repayments, depending on their income.



After the Supreme Court rejected his student loan forgiveness program, President Joe Biden has rolled out another measure called the Saving on a Valuable Education (SAVE) plan, referring to it as 'the most affordable student loan plan ever.'

But their loan balance remains, and often increases in size as it accumulates interest.

After more than three years, the return of student loan repayments could prove challenging for consumers who took on new financial obligations during the pandemic, according to Silver Canady.

"People who had that [disposable income](#) were able to do things like perhaps buy a home, or buy a car," she said.

"And now, I'm just concerned that for some people, it's going to be too much," she added, referring to the monthly repayments due on loans and mortgages.

Alternative solutions

Since the Supreme Court decision in June, Biden has officially rolled out another measure called the Saving on a Valuable Education (SAVE) plan, referring to it as "the most affordable student loan plan ever."

Under this new income-driven repayment plan, some borrowers could see their bills cut in half from 10 percent to five percent of their monthly discretionary income.

Loan balances would also be forgiven after a decade for borrowers with an original loan balance of less than \$12,000.

While not as rapid as Biden's now-canceled loan forgiveness plan, it would still dramatically cut the cost of repayment for those who are eligible over time.

Under existing plans, some students who take up careers in public service or the non-profit sector can even have their student loans forgiven altogether.

But the criteria are stringent, and can differ dramatically depending on which administration is in power.

"It can change from year to year, you know, administration to administration," said Brown, who is hopeful she will eventually become eligible for some form of student loan forgiveness.

"You just never know with the government," she added.

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