



Senator Jeff Merkley

THE ACCESS TO FAIR FINANCIAL OPTIONS FOR REPAYING DEBT (AFFORD) ACT

ENSURING EVERY STUDENT CAN ATTEND COLLEGE WITHOUT FEAR OF UNAFFORDABLE STUDENT LOAN DEBT

As the cost of tuition has risen across America over the last several decades, it's become impossible for most students to attend college without borrowing. Yet as students have taken on more and more debt, increasingly students face the fear of not being able to affordably pay their loans when they complete college and enter the job market. In some cases, this fear may cause students to drop out of college or even forgo attending in the first place for fear of taking on a debt that could become a financial millstone around their neck.

To fix this problem, the Access to Fair Financial Options for Repaying Debt (AFFORD) Act would create an income-based repayment option available to every student borrower that would guarantee their ability to afford the cost of repaying. Every student could attend college with full confidence that no matter their income after graduation, they will be able to afford the cost of repaying their loans.

Under the AFFORD Act:

- Students would have a simple choice when they enter into repayment between:

- I. A Fixed Repayment Plan in which the borrower makes monthly payments of the same amount sufficient to repay the loan and any accrued interest over a period of time determined by their loan amount:

Total Educational Indebtedness	Repayment Period May Not Exceed
Less than \$10,000	10 years
\$10,000 to \$19,999	15 years
\$20,000 to \$29,999	20 years
\$30,000 or more	25 years

- II. An Income-Based Repayment plan, modeled on the current Pay As You Earn model (PAYE) in which a borrower pays 10% of discretionary income (gross income that exceeds 150% of the federal poverty level) and remaining debt is forgiven after 20 years. Unlike the current PAYE plan, any borrower would be able to choose IBR. While there would be no financial hardship requirement, there would also be no cap on monthly payments.

The AFFORD Act would replace the current confusing array of income-based repayment (IBR) plans that have varying eligibility criteria with this single IBR option, open to any borrower.

These two plans would be included in the entrance loan counseling required by the Department of Education to educate borrowers about repayment when they start school. Additionally, schools would send students a letter each year informing them of available loan counseling.

This bill would cap the amount of interest that can accrue during a borrower's grace and repayment periods at 50% of their original loan balance, and include targeting measures to make sure that the benefits of income-based repayment go to the borrowers that need them the most.