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Consumer Finance Institute

SPECIAL REPORT

SAVE Your Guesses: Borrower Expectations for Enrollment in the New SAVE Income-Driven Repayment Plan

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As the end of the pandemic-era payment pause on federal student loans was announced, the U.S. Department of Education introduced measures to help ease borrowers back into repayment. One such measure included a change to the menu of repayment plans that are offered to borrowers to reduce their scheduled monthly payments. In this third report in our series on the student loan payments resumption, we consider borrower awareness of, intended enrollment in, and estimated payment reductions from the most recent and most generous income-driven repayment (IDR) plan yet: the Saving on a Valuable Education (SAVE) plan, finalized in August 2023.

Various IDR plans have been available to borrowers with federal student loans since the 1990s. Such repayment plans typically reduced borrowers' monthly loan payments by limiting them to a maximum share of the borrower's income above a minimum threshold, stretched over an extended repayment term. Because of its design features, which are discussed in more detail in the next section, the SAVE IDR plan can reduce many borrowers' monthly payments to a greater extent than previous IDR plans could. We showed in our November 2023 report that most borrowers would likely see payment reductions relative to their current payment amount under the new SAVE plan; potential reductions would be concentrated among borrowers most likely to report expecting to miss payments in October 2023.

Building on our November 2023 report and previous reports in this series, we use novel survey data collected in early November 2023 by the Consumer Finance Institute (CFI) at the Federal Reserve Bank of Philadelphia to study federal student loan borrowers' experience with the student loan payments resumption. Our survey data, collected from more than 2,000 student loan borrowers, asked high-level information about borrowers' repayment status, current and previous enrollment in IDR plans, actual payments in October 2023, and expected payments in

[1] The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Nothing in the text should be construed as an endorsement of any organization or its products or services. Any errors or omissions are the responsibility of the authors. No statements here should be treated as legal advice. The special reports in this series are available on the Philadelphia Fed website.

November–December 2023. The survey also asked detailed questions regarding borrowers' awareness of and enrollment intentions for the new SAVE plan. Survey respondents recorded their demographic characteristics, which allow us to generate more nationally representative estimates for student loan borrowers by reweighting the survey responses to reflect the American Community Survey along income, education, race, and age categories.

The patterns we identify in the data suggest that many borrowers remained unaware of the SAVE plan as of November 2023 — despite continued outreach by the Department of Education and servicers. One-third of those federal student loan borrowers in repayment reported never having heard about the SAVE plan as of November 2023. Borrower groups with the lowest awareness of the SAVE plan included borrowers with incomes below $40,000 per year, borrowers older than 55, female borrowers, and borrowers with some college education but no degree.

Once we conveyed detailed eligibility criteria and features of the SAVE plan to borrowers not already enrolled in the plan, we found that:

- 8 percent of borrowers reported already being in a different type of IDR plan and having no intentions of switching to the SAVE plan,
- 16 percent of borrowers reported being ineligible because they had primarily parent or private student loans, and
- 20 percent of borrowers reported being eligible for the plan but had no interest in applying.

A full one-third of borrowers not already enrolled in the SAVE plan were unsure about applying for it, indicating an area of potential outreach for the Department of Education and servicers to make borrowers aware of this relief option.

In our estimation of potential payment reductions, we consider prospective enrollees: borrowers with federal student loans in repayment who were not already enrolled in the SAVE plan and who did not report being ineligible because of having predominantly parent loans or private loans. We find that more than one-half of prospective enrollees might see a reduction in their scheduled monthly payments relative to their current scheduled payment if they were to enroll in the SAVE plan, with more than one-third not having to make payments on their loans at all because their incomes were below the threshold determined by the Department of Education.

What Is the SAVE IDR Plan?

In August 2023, the Department of Education finalized its most generous IDR plan yet: the SAVE plan. As mentioned previously, this repayment plan can reduce most borrowers' monthly payments to a greater extent than previous IDR plans because payments are based on a smaller portion of the borrower's income and because balances won't grow because of unpaid interest as in previous plans. The SAVE plan replaced an existing IDR plan: the

Revised Pay as You Earn (REPAYE) plan. The more than 3 million borrowers enrolled in the REPAYE plan as of September 2023 automatically benefited from the SAVE plan's features. Borrowers not enrolled in the REPAYE plan at the time the SAVE plan was announced had to take steps to enroll in the SAVE plan by contacting their servicer and filling out certain forms.

According to the Department of Education, the SAVE plan:

- Is available to individuals with federally guaranteed undergraduate or graduate loans borrowed for their own education but not to parent borrowers (e.g., borrowers with Parent PLUS loans).
- Sets the monthly payment amount to $0 for borrowers with adjusted gross incomes below 225 percent of the Federal Poverty Guidelines for the borrower's family size. This threshold is $32,800 for a family size of one, $44,370 for a family size of two, and higher for larger households.
- Sets the maximum monthly payment to 5 percent of the borrower's adjusted gross income above the threshold (referred to as *discretionary income*) for borrowers with undergraduate loans and 10 percent of discretionary income for borrowers with graduate loans, regardless of how much student debt they owe.[2] For example, a borrower with a family size of one, an income of $50,000 per year, and undergraduate loans would have a maximum scheduled monthly payment of 5% *x* ($50,000 – $32,800) = $71 per month, regardless of the borrower's outstanding student loan balance.
- If borrowers make their full scheduled monthly payment in the SAVE plan, but the payment is not enough to cover the full amount of accrued monthly interest, the government covers the remainder of the interest that accrued that month. This means that the SAVE plan prevents balances from growing because of unpaid interest, as was the case with all previous IDR plans.
- Sets the maximum repayment period at 20 years for those with only undergraduate loans and 25 years for those with any graduate school loans. Borrowers with original undergraduate principal balances of $12,000 or less will receive forgiveness on any remaining balance after making payments for 10 years, with the maximum repayment period before forgiveness rising by one year for every additional $1,000 borrowed in excess of $12,000.

Awareness of and Intended Enrollment in the SAVE IDR Plan

Our survey was fielded to a national sample of 2,121 student loan borrowers in early November 2023, once borrowers had received their statements with updated scheduled payment amounts and could consider whether

[2] Currently, all borrowers pay a maximum of 10 percent of their disposable income, but the 5 percent maximum income share will go into effect for borrowers with undergraduate loans in August 2024.

enrollment in the SAVE plan might be appropriate for them.[3] We asked borrowers detailed questions about their loan balances, current scheduled payments, time in repayment, loan type (for example, government versus private, loans for their own education versus parent loans), their repayment status, as well as their current and past repayment plans. This way, we could clearly identify borrowers who a) have federal student loans in repayment, b) have loans that may be eligible for the SAVE plan, and c) are already enrolled in the REPAYE/SAVE plans. As mentioned previously, our sample is reweighted to be nationally representative by income, education, race, and age of respondents.

First, we asked borrowers about their current and past enrollment in IDR plans, as well as their broad awareness of and intent to apply for the SAVE plan; we summarize our findings in **Figure 1**. Because we were interested in borrowers' preexisting awareness of the SAVE plan for this portion of the survey, we described SAVE briefly as a "plan [that] lowers monthly payments relative to other repayment plans because payments are based on a smaller portion of your adjusted gross income (AGI) and because your balance won't grow due to unpaid interest" in this awareness gauge question. In subsequent questions, we asked borrowers more detailed questions about the SAVE plan after describing the plan more comprehensively.

Panel (a) of Figure 1 shows the distribution of current and previous IDR participation among federal student loan borrowers in repayment. In our sample, about 46 percent of federal loan borrowers in repayment were already in an IDR plan as of October 2023, which is slightly higher than the Department of Education's publicly available estimates.[4] About 36 percent of borrowers had never enrolled in an IDR plan, while 18 percent had used IDR previously but have since enrolled in a different type of repayment plan. In panel (b), we summarize the distribution of respondents' intentions to apply for the SAVE plan. In line with existing evidence, we calculate that 25 percent of the federal student loan borrowers in repayment are already in the REPAYE plan and will be grandfathered into the SAVE plan without the need to submit any application or documentation.[5] About 18 percent of respondents were already in the SAVE plan or had applied for it at the time of the survey, whereas 13 percent planned to apply, although they had not done so as of the survey date. Only 11 percent of borrowers had heard about the

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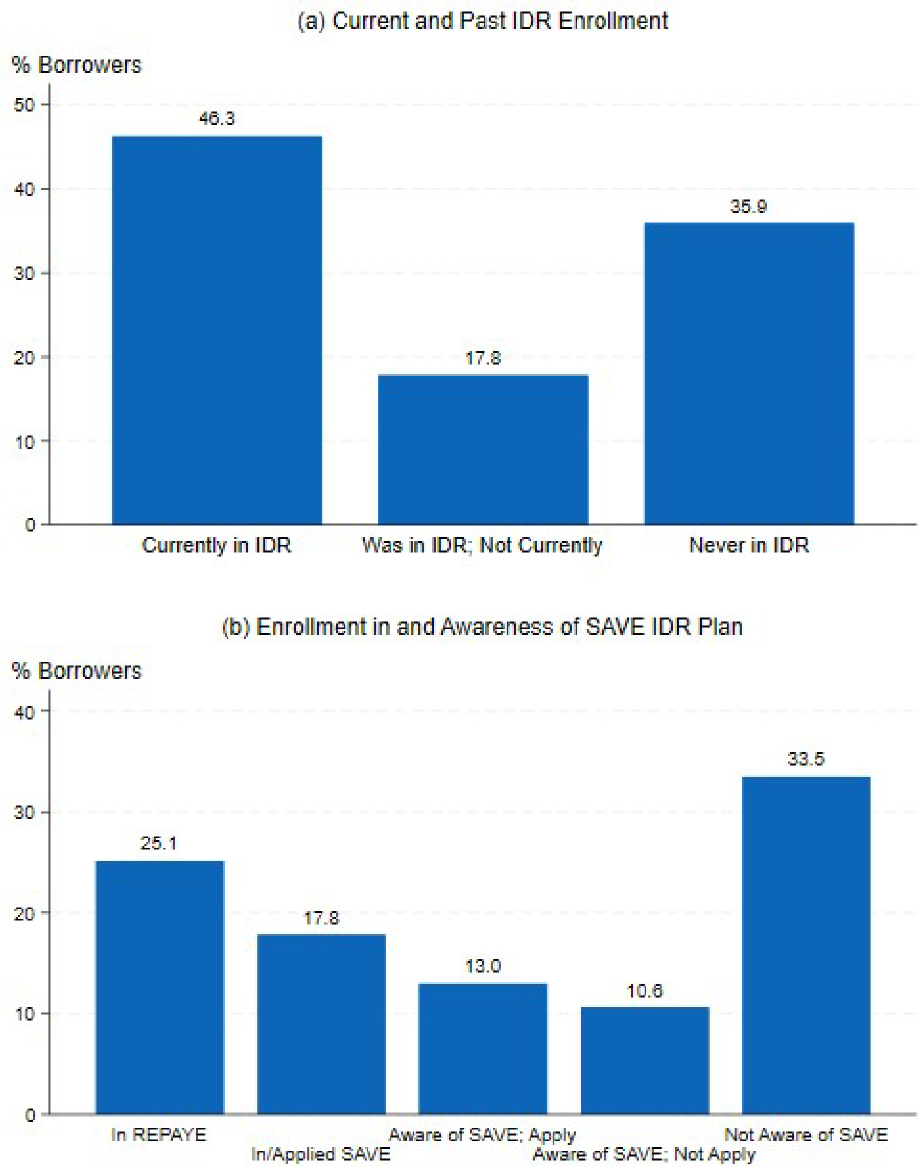
[3] We recognize that some borrowers did not receive timely statements in October 2023 and that a small number of borrowers received statements with incorrect scheduled payment amounts. See https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers.

[4] According to the Federal Student Aid Data Center, nearly 10 million — or about one-third — of Direct Loan borrowers were in an IDR plan by the end of Q3 2023, https://studentaid.gov/sites/default/files/fsawg/datacenter/library/DLPortfoliobyRepaymentPlan.xls.

[5] Borrowers who were previously enrolled in the REPAYE IDR plan automatically saw payment reductions in October because the SAVE plan's features automatically applied to them. Other borrowers had to enroll in the SAVE plan to take advantage of the more generous IDR terms. For more details on enrollment, see https://www.ed.gov/news/press-releases/biden-harris-administration-announces-nearly-55-million-borrowers-are-enrolled-save-plan.

Figure 1 — IDR Enrollment and Awareness of the SAVE IDR Plan, November 2023



Note: Sample includes all respondents with federal student loans in repayment.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023

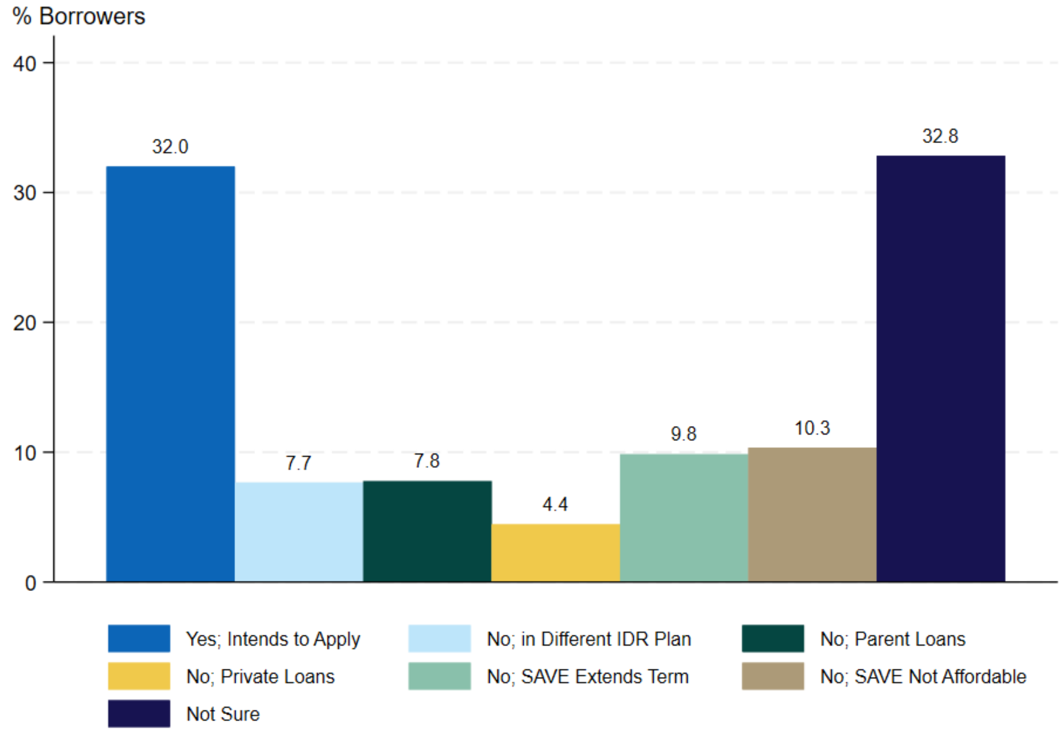
SAVE plan but had no intention of participating in it. Importantly, our estimates indicate that a full one-third (34 percent) of borrowers with federal student loans in repayment had never heard of the SAVE IDR plan as of early November 2023.

Our survey subsequently queried prospective enrollees — respondents who were not already enrolled in the SAVE or REPAYE plans (and therefore automatically benefited from the SAVE plan) — about their intentions to apply for the SAVE plan and any reasons for not intending to apply. Before asking about intended enrollment, we first described the plan's features and eligibility criteria in greater detail (along the lines of our description in the previous section). **Figure 2** summarizes the self-reported intentions to apply for the SAVE plan for those prospective enrollees. "Yes; Intends to Apply" and "Not Sure" were set as exclusive responses, while borrowers could choose among multiple reasons for why they would not apply for the SAVE plan. Thus, the responses are not mutually exclusive, and the shares in Figure 2 may add up to more than 100 percent, though the vast majority of borrowers chose only one reason for not applying to the SAVE plan.

While 23 percent of prospective enrollees (13 percent out of the 57 percent not in the SAVE/REPAYE plans) reported having applied or intending to apply for the SAVE plan in Figure 1 based on our awareness question, 32 percent of those same borrowers reported intending to apply for the SAVE plan after we described the plan's features and eligibility requirements (Figure 2). Interestingly, we find that 8 percent of prospective enrollees are already in a different type of IDR plan and had no intentions of switching to the SAVE plan. Such borrowers may not be eligible for the SAVE plan because they owe ineligible loan types (e.g., federally guaranteed loans that are held by commercial banks), because they do not consider a switch to the SAVE plan worth the savings given the administrative burden, or for other reasons.[6] Other prospective enrollees reported not intending to apply because they recognized that they were ineligible, including 12 percent of borrowers who reported holding primarily parent loans and 4 percent who reported primarily holding private loans. Further, our survey results indicate that about 20 percent of prospective enrollees were eligible for the plan but had no interest in applying. These uninterested borrowers are evenly split in their reasoning, with approximately one-half finding the payment-term extension unpalatable and the other half considering payments under the SAVE plan to be unaffordable. Finally, our results show that 33 percent of prospective enrollees were still unsure whether they would apply for the SAVE plan even after learning about its features and eligibility criteria.

[6] Before the Direct Loan program, which is the only currently available federal student loan program, the federal government's main student loan program was the Federal Family Education Loan (FFEL) program. Under the FFEL program, commercial banks originated and funded student loans, which in turn were guaranteed by the federal government. Origination of FFEL loans was discontinued in 2010, but many borrowers still hold such loans. Certain older versions of IDR plans are available for this group of borrowers, but more recent plans such as REPAYE and SAVE are not.

Figure 2 — Intended Enrollment in the SAVE IDR Plan, November 2023



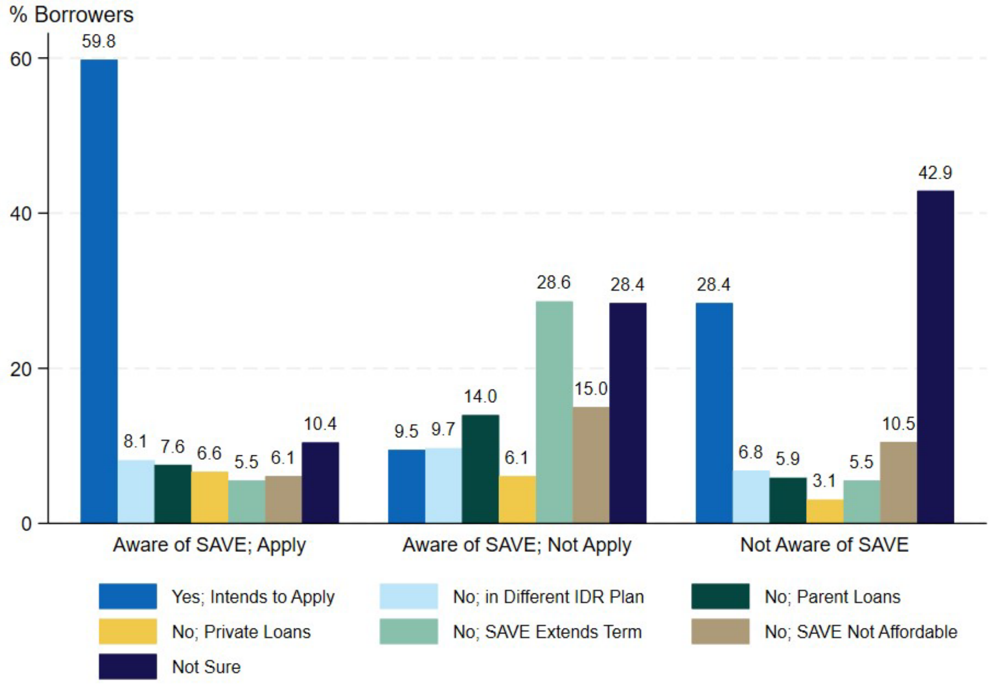
Note: Sample includes respondents with federal student loans in repayment who are not already enrolled in the REPAYE/SAVE IDR plans.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023

When we consider how borrowers may have changed their responses between the awareness question and the more detailed eligibility question, important insights emerge. In **Figure 3**, we summarize the reported decisions after borrowers considered the SAVE plan eligibility criteria and features, separately for three groups from our awareness assessment: a) those who were aware of the SAVE plan and intended to apply, b) those who were aware of the SAVE plan and did not intend to apply, and c) those previously unaware of the SAVE plan. Most borrowers who were aware of the SAVE plan and intended to apply in our awareness assessment (60 percent) still planned to apply, but many realized that the SAVE plan was not appropriate for them or that they were ineligible upon review of the full set of plan details. Of the borrowers who were aware of the SAVE plan but did not plan to apply, only 10 percent changed their minds and indicated that they would apply after reviewing the detailed description; most stayed with their original choice, giving reasons such as not wishing to extend the repayment term (29 percent) or simply being unsure (also 29 percent).

Yet borrowers who were previously unaware of the SAVE plan were most likely to move toward applying, with 28 percent indicating that they would apply after reviewing the detailed description. Nevertheless, nearly one-half

Figure 3 — Intended Enrollment in the SAVE IDR Plan by Prior Awareness, November 2023



Note: Sample includes respondents with federal student loans in repayment who are not already enrolled in the REPAYE/SAVE IDR plans.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023

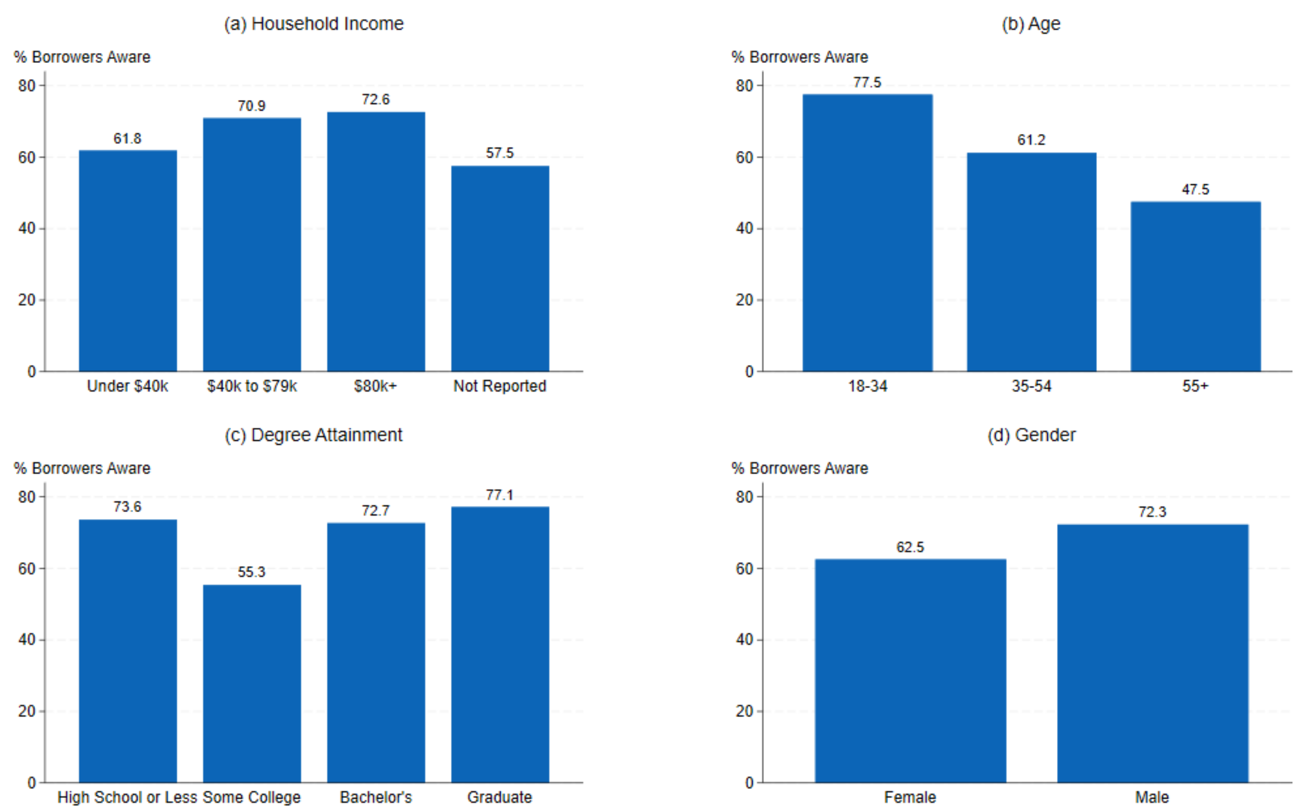
(43 percent) of borrowers in this group were still unsure about applying after our eligibility question and may need additional guidance before deciding. These patterns suggest that there are many borrowers who believe they might benefit from the SAVE plan, only to discover that they are ineligible or that the SAVE plan is unsuitable for them. Conversely, there are borrowers who may be brought into the SAVE plan after additional outreach and consideration.

Who Is Aware of the SAVE IDR Plan?

We now focus our attention on assessing whether awareness of the SAVE plan varied among eligible borrowers by demographic characteristics. To do this, we first consider which borrower characteristics are most predictive of awareness by estimating a multivariate linear regression. Our outcome variable is an indicator for awareness of the SAVE plan, and we estimate it as a function of a broad range of borrower characteristics, including household income, age, gender, region, race/ethnicity, educational attainment, marital status, and number of children. Our findings from this exercise — available in the **Appendix** — indicate that household income, age, educational attainment, and gender were the borrower demographics most strongly predictive of awareness of the SAVE plan. Overall, borrower groups with the lowest awareness of the SAVE plan in November 2023 included borrowers with incomes below $40,000 per year, those 55 or older, female borrowers, and those with some college education but no bachelor's degree.

In **Figure 4**, we further establish these findings by considering the prevalence of borrowers' awareness of the SAVE plan by: household income in panel (a), age in panel (b), degree attainment in panel (c), and gender in panel (d). We consider borrowers with federal loans in repayment, but we exclude borrowers who reported being ineligible for the SAVE plan because they had primarily parent or private loans, since their awareness of the SAVE plan has no practical repercussions. In panel (a), the lowest-income borrowers (62 percent) and borrowers with unreported household income (57 percent) had the lowest awareness of the SAVE plan compared with borrowers with middle (70 percent) or high (72 percent) incomes. Panel (b) shows awareness of the SAVE plan by borrower age; this time the relationship is clearly monotonic and stark. About 77 percent of eligible respondents ages 18–34 knew about the existence of the SAVE plan, compared with 61 percent of eligible borrowers ages 35–55, and only 47 percent of eligible borrowers older than 55.

Figure 4 — SAVE IDR Plan Awareness by Demographic Group, November 2023



Note: Sample includes respondents with federal student loans in repayment, excluding those who reported being ineligible for the SAVE plan because they had primarily parent or private loans.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023

Considering SAVE plan awareness among eligible borrowers by degree attainment, we report in panel (c) that 73 percent and 75 percent of eligible borrowers with a bachelor's degree or a graduate degree, respectively, were aware of the existence of this new IDR plan. A comparable share of those with a high school degree or less (73 percent) were also aware. In contrast, only 55 percent of eligible borrowers with some college education but no bachelor's degree reported being aware of the SAVE plan. This may be because of differences in news consumption or because borrowers with some college education were most likely to report repayment struggles both in our November report and in the current data, and hence may be particularly disconnected from and unaware of changes in the repayment system. Finally, we report in panel (d) that eligible female borrowers have a lower awareness of the SAVE plan (62 percent) compared with eligible male borrowers (72 percent), owing primarily to male borrowers' higher rates of enrollment in REPAYE.

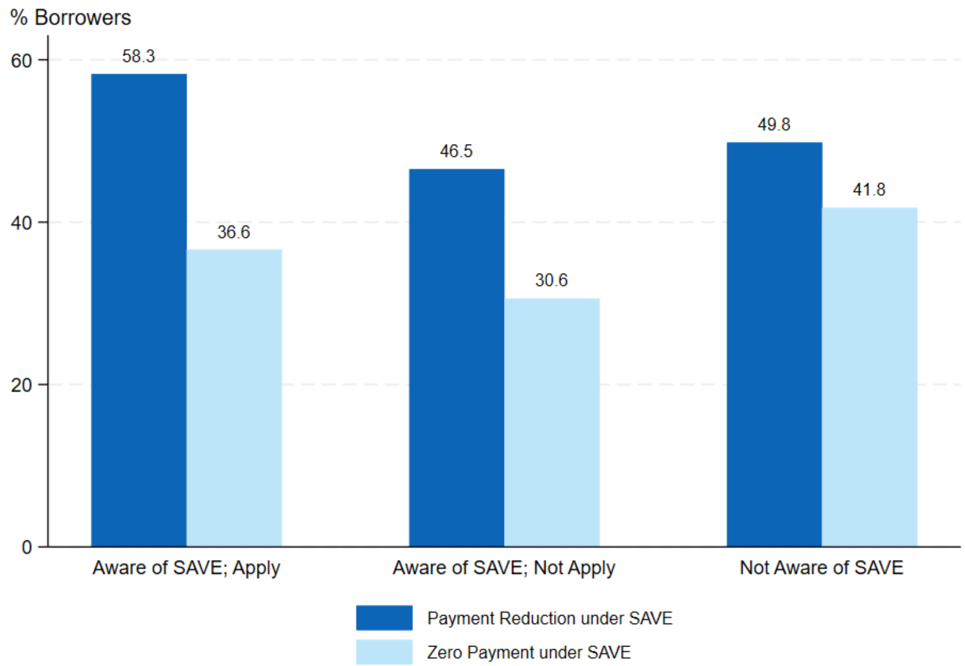
Potential Student Loan Payments Reductions Under the SAVE IDR Plan

The data available in our survey also allow us to estimate the extent to which a borrower might see payment reductions under the SAVE plan. We do so by combining information on the borrower's household income, marital status, and number of children to approximate a borrower's household discretionary income, defined previously as any income above 225 percent of the 2023 Federal Poverty Guidelines for the borrower's household size.[7] Through summer 2024, borrowers will be expected to pay up to 10 percent of their discretionary income under the SAVE plan. We use these parameters to estimate an approximate maximum scheduled monthly payment under the SAVE plan and compare this estimated SAVE plan payment with the actual scheduled payment amount reported by the respondent. As in Figures 2 and 3, we focus on prospective enrollees in the SAVE plan, therefore excluding those borrowers already enrolled in the REPAYE/SAVE plans and those who reported being ineligible for the SAVE plan because they had primarily parent or private loans. Overall, we find that 50 percent of prospective enrollees would see payment reductions if they enrolled in the SAVE plan, and 39 percent would not be required to make any payments at all because their incomes were below the threshold set by the Department of Education.

In **Figure 5**, we consider the distribution of estimated benefits to enrollment in the SAVE plan by prior awareness of the plan. Reassuringly, borrowers who were aware of the SAVE plan and intended to apply were much more likely to see payment reductions (58 percent) or zero payments (37 percent) than prospective enrollees who were aware of the SAVE plan and did not intend to apply (47 percent and 31 percent, respectively). Prospective enrollees

[7] Since we cannot observe household size directly, we take a conservative approach by assuming that borrowers with children have only one child. In other words, we assume that respondents will have a household size equal to one if single, two if married, and three if married with children. This will understate the potential benefits of the SAVE plan for borrowers with larger households.

Figure 5 — Estimated Monthly Payments Reductions Under the SAVE IDR Plan, November 2023



Note: Sample includes respondents with federal student loans in repayment, excluding those enrolled in the REPAYE/SAVE plans and those who reported being ineligible for the SAVE plan because they had primarily parent or private loans.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023

who were not previously aware of the SAVE plan interestingly were comparably likely to see payment reductions (50 percent) and most likely to see $0 scheduled payments (42 percent) out of all three groups. In other words, eligible borrowers who were unaware of the SAVE plan as of November 2023 have estimated savings equal to or higher than those who were aware, further emphasizing the importance of continued borrower outreach.

Conclusion

Repayment on federal student loans resumed on October 1, 2023, bringing tens of millions of borrowers out of a three-and-a-half-year payment pause and introducing many borrowers into the repayment system for the very first time. Policymakers and borrowers understandably have been concerned about how the return to repayment might impact household budgets and the economy more broadly. Forecasting the effects of the payments resumption on household finances is complicated by the Department of Education's decision to introduce a new repayment plan for student loan borrowers: the SAVE IDR plan.

In this report, we provided evidence that awareness of this new repayment plan was still incomplete by November 2023, with nearly one-third of borrowers who were not already enrolled in the REPAYE/SAVE plans being unaware of the SAVE IDR plan. Awareness was the lowest among vulnerable populations with a relatively higher incidence of repayment struggles in our previous reports, such that continued outreach by the Department of Education and servicers appears to be warranted. Given that our data show that an estimated one-half of prospective enrollees would see payments reductions under the plan and one-third would be required to make no payments at all, the SAVE IDR plan remains an untapped relief option for many borrowers who may need it.

Appendix

Correlates with Awareness of SAVE IDR Plan

Outcome = Aware of SAVE IDR Plan	Coefficient	Standard Error	T-Statistic	P>t	[95% Confidence Interval]	
Household Income (reference = <$40k)						
$40k to $79k	0.08	0.03	2.51	0.01	0.02	0.15
$80k+	0.06	0.03	1.63	0.10	-0.01	0.12
Not Reported	-0.08	0.06	-1.33	0.18	-0.19	0.04
Age (reference = 18-35)						
35-54	-0.19	0.03	-6.51	0.00	-0.24	-0.13
55+	-0.33	0.04	-8.30	0.00	-0.40	-0.25
Gender (reference = Male)						
Female	-0.07	0.03	-2.87	0.00	-0.12	-0.02
Region (reference = Northeast)						
Midwest	0.02	0.04	0.55	0.58	-0.06	0.10
South	-0.01	0.04	-0.39	0.70	-0.09	0.06
West	0.06	0.04	1.62	0.11	-0.01	0.14
Race/Ethnicity (reference = White)						
Black	0.06	0.04	1.77	0.08	-0.01	0.14
Hispanic	0.02	0.04	0.55	0.58	-0.05	0.09
Other	0.02	0.04	0.38	0.70	-0.06	0.09
Degree Attainment (reference = High School or Less)						
Some College	-0.14	0.03	-4.17	0.00	-0.20	-0.07
Bachelor's	0.02	0.04	0.60	0.55	-0.05	0.09
Graduate	0.11	0.04	2.64	0.01	0.03	0.19
Married (reference = No)						
Yes	0.00	0.03	-0.14	0.89	-0.06	0.05
Parent (reference = No)						
Yes	0.05	0.03	1.60	0.11	-0.01	0.10
Constant	0.77	0.04	17.31	0.00	0.68	0.85

Notes: Sample (N = 1,375) includes respondents who reported an outstanding government student loan in repayment, excluding those who reported being ineligible for the SAVE plan because they had primarily parent or private loans. We provide estimated coefficients and standard errors from a linear regression where the outcome variable takes the value of one if the respondent indicated being aware of the SAVE plan (including by being enrolled in or having applied for the plan). The omitted/reference category is indicated for each group, and the estimated coefficient is relative to the reference category. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, November 2023