The Savings Opportunity and Affordable Repayment (SOAR) Act

Introduced by Senators Merkley and Kaine

Background

In August 2023, the Biden Administration established the Saving on a Valuable Education (SAVE) Plan, which improved on the existing income-driven repayment (IDR) system to better protect borrowers from unaffordable payments, runaway balances due to rapidly accruing interest, and offer a clearer path to debt relief after at least a decade of payments. IDR plans link payments to a borrower's income and family size, and enable borrowers to stay current on their loans and avoid the devastation of default, even in times of financial hardship. Borrowers enrolled in an IDR plan default at much lower rates than those in non-IDR plans.

The Trump Administration is likely to abandon the SAVE Plan for affordable student loan payments in ongoing legal efforts to challenge the plan in court, and Republicans have openly discussed eliminating the valuable program as part of reconciliation. Both scenarios will have disastrous implications for 8 million Americans already enrolled in the SAVE plan and the millions more that need more affordable repayment options.

In response, Senators Jeff Merkley (D-OR) and Tim Kaine (D-VA) developed the *Savings Opportunity and Affordable Repayment (SOAR) Act*¸ which would codify aspects of the SAVE plan to reduce student loan payments into law, while also expanding and strengthening the SAVE plan to ensure that borrowers have access to more affordable repayment options and a path to debt relief for years to come. Merkley and Kaine's strengthened and expanded plan is called the Savings Opportunity and Affordable Repayment (SOAR) Plan.

What does the *SOAR Act* do?

The *SOAR Act* amends the *Higher Education Act* to establish a new IDR plan called the Savings Opportunity and Affordable Repayment (SOAR) plan. The *SOAR Act* ensures that more borrowers will be able to access the SOAR plan, that borrowers are able to access more affordable monthly payments by increasing the amount of income protected from repayment, and that borrowers are able to access a quicker pathway to forgiveness. Specifically, under the SOAR Plan:

- **Borrowers will benefit from more affordable monthly payments:** Borrowers whose incomes are at or below 250% of the federal poverty line (FPL) will have $0 monthly payments. For those earning more than 250% of the FPL, borrowers with undergraduate loans will pay 5 percent of their discretionary income, and borrowers with graduate loans will pay 10 percent of their discretionary income. By increasing the percentage of income protected from 225% of FPL to 250% FPL, the SOAR plan will increase the number of lower-income borrowers who can benefit from $0 payments.

- **Borrowers will benefit from a simplified and expedited timeline for forgiveness of no more than 15 years:** Under the SOAR Plan, borrowers who attended an institution of higher education for 2 years or less will be able to benefit from forgiveness after 10 years of payments. For other borrowers with undergraduate or graduate loans, the SOAR plan cancels any remaining loan balances after 15 years of payments. The SOAR plan reduces the time for cancellation from 20 or 25 years under Biden's SAVE plan to 15 years.

- **Borrowers will be protected from runaway interest and see their loan balances go down:** Under the SOAR plan, borrowers will have their payments applied at a rate of 50% to principal and at a rate of 50% (1) first toward charges and collection costs, (2) then toward interest, and (3) then toward principal. This ensures that borrowers will see their principal reduced every month. In addition, the SOAR plan provides borrowers an interest subsidy that covers unpaid interest after a borrower makes a payment.

- **More borrowers will be able to benefit from the SOAR Plan:** Parent PLUS and borrowers with FFEL loans will be eligible for the SOAR Plan.

Jeff Merkley