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Budget Model

Budgetary Effect of "SAVE Students Act"

Summary: PWBM estimates that "SAVE Students Act" would cost about $276 billion less over the 10-year budget window relative to the Income-Driven Repayment (IDR) plan proposed by President Biden.

Key Points

- Senators Cassidy and Cornyn introduced the "SAVE Students Act" on June 14, 2023, that proposes a new Income-Contingent Repayment (ICR) Plan for paying down college debt as a replacement for the Biden Income-Driven Repayment (IDR) plan that we previously analyzed.
- We estimate that about 31 percent by loan volume would enroll in ICR versus 70 percent that we previously estimated for Biden's IDR proposal. The ICR plan would cost about $276 billion less over the 10-year budget window than the Biden IDR plan.
- The technical scoring impact on the budget deficit depends on the "baseline" assumption, including whether Biden IDR is not incorporated into the baseline, incorporated at 50 percent of its costs based on ad-hoc scoring convention, or fully incorporated into the baseline.

Introduction

The proposed SAVE Students Act would replace the Biden proposed Income-Driven Repayment (IDR) plan that we previously analyzed by modifying the current-law Revised Pay As You Earn (REPAYE) plan to allow for a shorter period of repayment for undergraduate student borrowers with smaller college loan balances. Specifically, for loan balances of $10,000 or less, this new Income-Contingent Repayment (ICR) plan would require that borrowers make payments for only 10 years in order to receive loan forgiveness for any remaining balances. For every additional $1,000 of balance above $10,000, one year of additional payment would be required, up to 20 years in total. Moreover, the ICR allows certain additional deferment and forbearances to count towards the payment period, for instance, forbearances due to participating in national service, having cancer, and other administrative forbearances.

In exchange for a potentially shorter payment period, the SAVE Student Act would:

- Prohibit new loans to undergraduate programs whose former students are not typically earning more than someone with only a high school degree. Prohibit new loans to graduate programs whose former students are not typically earning more than someone with only a bachelor's degree.
- Streamline the existing repayment options for federal student loan borrowers to a) the 10-year Standard Repayment Plan and b) the proposed ICR plan.
- Include various other changes including automatic enrollment in ICR after 75 days of delinquency on loans.

Conventional Costs

Table 1 presents our estimates of the budgetary costs of the SAVE Students Act.

Table 1. Budgetary Cost of Cornyn and Cassidy Proposed SAVE Student Act (ICR Plan)

Billions of Dollars

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Baseline Comparison	Year										2024 - 2032	Budget Window
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**		
Without Biden Proposed IDR *	54.7	0.9	0.8	0.9	1.1	1.4	1.5	1.6	1.8	2.0	12.1	66.8
With 50% of Biden Proposed IDR **	-37.0	-6.9	-6.6	-6.6	-6.8	-7.8	-7.8	-8.0	-8.3	-8.7	-67.4	-104.4
With 100% of Biden Proposed IDR ***	-128.7	-14.8	-14.0	-14.1	-14.8	-16.9	-17.0	-17.5	-18.4	-19.5	-146.9	-275.6

* PWBM estimated take-up rate of 31 percent, by loan volume
** If calculated based on CBO (Mar 13, 2023) with 50% rule, the cost saving over the 10-year budget window would be about $40 billion.
*** If calculated based on CBO's Biden IDR estimate, the cost saving over the 10-year budget window would be about $150 billion.

We estimate that enrollment under the SAVE Students Act would be about 31 percent by loan volume. In contrast, for current-law plans (before Biden IDR) including REPAYE and other income-based plans, we estimate a take-up rate of about 45 percent by loan volume. Despite having a lower take-up rate, the SAVE Students Act would cost about $67 billion more than current law over the 10-year budget window due to more generous benefits for borrowers who qualify (Table 1, "Without Biden Proposed IDR").

We previously estimated that the Biden IDR would produce a take-up rate of about 70 percent by loan volume. Moreover, the IDR benefits are generally larger than ICR for qualifying borrowers. As a result, replacing the Biden IDR plan with the SAVE Students Act would reduce costs by about $276 billion over the next 10 years. This value would be the amount of non-interest deficit reduction over the budget window relative to the Biden IDR plan going into effect and becoming part of current law (Table 1, "With 100% of Biden Proposed IDR").

However, an existing ad-hoc scoring convention dictates that only 50 percent of Biden's IDR plan is to be incorporated into the current law "baseline" before its effective date since the IDR plan was enacted by rulemaking instead of by new legislation. Relative to that baseline, the SAVE Students Act would reduce the 10-year deficit by $104 billion from 2023 to 2032 (Table 1, "With 50% of Biden Proposed IDR").

This analysis was produced by Junlei Chen under the guidance of Kent Smetters. Mariko Paulson prepared the brief for the website.