



Federal Student Loan Payment Pause: Budgetary Effect and Distributional Impact

Published on February 3, 2023

<https://budgetmodel.wharton.upenn.edu/estimates/2023/2/3/federal-student-loan-payment-pause>

In November, the U.S. Department of Education announced another extension* of the pause on student loan repayment, interest, and collections (“Payment Pause”) until August 2023 at the latest.** Student loans have been in Payment Pause since March 2020. We calculate the conventional budgetary costs and distributional effects of the current-law Payment Pause between March 2020 and August 2023.

- Current Law: All federal student loan borrowers are eligible. Total budgetary costs are estimated to be \$210.0 billion with 23% of the benefit accruing to households in the bottom 50 percent of the income distribution.

We also present three alternative policies that would have instead limited the Payment Pause to lower-income households based on different means-tested rules. If implemented in March 2020 and continued until August 2023, we calculate the following results:

- Alternative 1: Only Pell Grant recipients are eligible. Total budgetary costs are estimated to be \$129.0 billion with 49% of the benefit accruing to households in the bottom 50 percent of the income distribution.
- Alternative 2: Only households with income below 2.25 times the Federal Poverty Line are eligible.*** Total budgetary costs are estimated to be \$60.1 billion with 89% of the benefit accruing to households in the bottom 50 percent of the income distribution.
- Alternative 3: Only households with income below 1.5 times the Federal Poverty Line are eligible.**** Total budgetary costs are estimated to be \$30.2 billion with 100% of the benefit accruing to households in the bottom 50 percent of the income distribution.

For more detailed information, Table 1 presents our budgetary estimates for the period March 2020 to August 2023 under current law and all three alternatives. Tables 2 and 3 provide corresponding distributional analysis that indicates how the benefit of the Payment Pause is distributed to households by income. Table 2a considers all household income regardless of age. Table 2b focuses on households aged 25 to 35, a distinction that is explained in a previous brief.***** Tables 3a and 3b provide the same analysis using finer income thresholds for the same households represented in Tables 2a and 2b, respectively.

* <https://www.ed.gov/news/press-releases/biden-harris-administration-continues-fight-student-debt-relief-millions-borrowers-extends-student-loan-repayment-pause>

** Payments will resume 60 days after the Department of Education is permitted to implement the student loan forgiveness program or the litigation is resolved. If the program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that.

*** This amount corresponds to the Non-Discretionary Income definition of the newly proposed Income-Driven Repayment Plan in 2023, which is \$32,805 (2023 dollar) for a single household, and \$11,565 for each additional household member.



**** This amount corresponds to the Non-Discretionary Income definition of most of the current Income-Driven Repayment Plans, which is \$21,870 (2023 dollar) for a single household, and \$7,710 for each additional household member.

**** <https://budgetmodel.wharton.upenn.edu/issues/2022/8/26/biden-student-loan-forgiveness>

Contents

[Table 1. Conventional Budget Estimates of the Federal Student Loan Payment Pause, FY 2020 - 2023](#)

[Table 2. Student Loan Payment Pause Benefit Distribution, FY2020-2023](#)

[Table 3. Student Loan Payment Pause Benefit Distribution Detail, FY2020-2023](#)



Table 1. Conventional Budget Estimates of the Federal Student Loan Payment Pause, FY 2020 - 2023

Billions of dollars

Provision	2020	2021	2022	2023	Total Budgetary Cost
Current Law: All federal student loan borrowers are eligible	50.0	60.0	60.0	40.0	210.0
Alternative 1: Only Pell Grant recipients are eligible	30.7	36.9	36.9	24.6	129.0
Alternative 2: Only households with income below 2.25 times the Federal Poverty Line are eligible	14.3	17.2	17.2	11.4	60.1
Alternative 3: Only households with income below 1.5 times the Federal Poverty Line are eligible	7.2	8.6	8.6	5.7	30.2



Table 2. Student Loan Payment Pause Benefit Distribution, FY2020-2023

Table 2a: All Ages

Income Group	Current Law	Alternative 1	Alternative 2	Alternative 3
Bottom half	22.9%	49.2%	89.0%	100.0%
Top half	77.1%	50.8%	11.0%	0.0%

Notes: Estimate household income percentile threshold all age: 50%: \$65,469

Table 2b: Age 25-35

Income Group	Current Law	Alternative 1	Alternative 2	Alternative 3
Bottom half	21.9%	58.5%	91.4%	100.0%
Top half	78.1%	41.5%	8.6%	0.0%

Notes: Estimate household income percentile threshold age 25-35: 50%: \$68,855



Table 3. Student Loan Payment Pause Benefit Distribution Detail, FY2020-2023

Table 3a: All Ages

Income Group	Current Law	Alternative 1	Alternative 2	Alternative 3
Bottom quintile	2.5%	5.4%	13.6%	31.0%
Second quintile	10.3%	22.1%	45.5%	42.9%
Middle quintile	22.1%	47.5%	39.3%	26.1%
Fourth quintile	35.2%	25.0%	1.7%	0.0%
80-90%	17.4%	0.0%	0.0%	0.0%
90-95%	8.6%	0.0%	0.0%	0.0%
95-99%	3.2%	0.0%	0.0%	0.0%
99-99.9%	0.8%	0.0%	0.0%	0.0%
Top 0.1%	0.0%	0.0%	0.0%	0.0%

Notes: Estimate household income percentile thresholds all age: 20%: \$28,784; 40%: \$50,795; 60%: \$82,400; 80%: \$141,096; 90%: \$212,209; 95%: \$321,699; 99%: \$961,711; 99.9%: \$3,668,499.

Table 3b: Age 25-35

Income Group	Current Law	Alternative 1	Alternative 2	Alternative 3
Bottom quintile	2.2%	6.0%	14.1%	25.3%
Second quintile	9.1%	24.5%	40.7%	42.3%
Middle quintile	20.5%	54.8%	43.3%	32.4%
Fourth quintile	32.9%	14.7%	2.0%	0.0%
80-90%	20.1%	0.0%	0.0%	0.0%
90-95%	9.7%	0.0%	0.0%	0.0%
95-99%	4.9%	0.0%	0.0%	0.0%
99-99.9%	0.5%	0.0%	0.0%	0.0%
Top 0.1%	0.0%	0.0%	0.0%	0.0%

Notes: Estimate household income percentile thresholds age 25-35: 20%: \$29,348; 40%: \$53,052; 60%: \$88,043; 80%: \$153,513; 90%: \$233,655; 95%: \$363,464; 99%: \$1,090,391; 99.9%: \$4,503,788.