



## **The Student Loan Repayment and FAFSA Simplification Act**

### **Student Loan Repayment Simplification:**

- Streamlines nine current ways to repay a federal student loan into two, simple options:
  - A standard, 10-year mortgage-style repayment plan
  - An income-based repayment plan dependent on the borrower's annual income
    - Borrowers pay 10% of their discretionary income—defined as all income above 150% of poverty level
    - If a borrower earns less than 150% of the poverty level or has no income, their monthly payment is \$0
    - If a borrower earns more than 800% of poverty level, the borrower's discretionary income calculation begins to phase out, eventually paying 10% of their total income
    - If a borrower has only undergraduate loans, then their outstanding debt will be forgiven after 20 years of payments. If the borrower has any graduate loans, then their outstanding debt will be forgiven after 25 years of payments.
- Federal student loan borrowers who enter repayment or wish to switch repayment plans on or after October 1, 2020, can choose from the two, simple repayment options
- If a current borrower likes their repayment plan, a borrower can keep their repayment plan
- Ensures that borrowers who wish to receive Public Service Loan Forgiveness pay their fair share by requiring borrowers to remain enrolled in the income-determined repayment plan for each of the 120 monthly payments needed to qualify for Public Service Loan Forgiveness

### **Free Application for Federal Student Aid (FAFSA) Simplification:**

- Reduces the number of questions on the FAFSA from 108 to 20-33 demographic, educational and identification questions
- Creates a new, simple eligibility formula for Pell Grants that considers three variables: family income, family size and family structure
  - Qualifying an additional 420,000 students for Pell Grants each year
  - Qualifying an additional 1.6 million students to receive the maximum Pell Grant each year
  - Allowing middle and high school students to calculate what their Pell Grant amount will be, allowing them to better plan for college
- Eliminates questions asking for income information that is not verifiable by the Internal Revenue Service (IRS), greatly reducing the outdated and burdensome verification processes that deter students from receiving their federal aid and pursuing college