Affordable Loans for Any Student Act of 2018

Sponsored by Senators Jeff Merkley (D-OR), Debbie Stabenow (D-MI), Kirsten Gillibrand (D-NY), Tammy Baldwin (D-WI), Richard Blumenthal (D-CT), Brian Schatz (D-HI), Ben Cardin (D-MD) and Catherine Cortez Masto (D-NV)

Student loan debt should never hold students back from pursuing the education and training they need for today's job market—or get in the way of borrowers pursuing careers of meaning and value for themselves and their family. However, the average college senior who borrows now graduates more than $30,000 in debt and total student debt nationwide sits at $1.5 trillion and growing. Borrowers with federal student loans also face few easy choices in managing their debt, from being forced to navigate unnecessary fees to a maze of repayment plans and paperwork.

Many borrowers would benefit from a repayment plan based on their income and a light at the end of the tunnel. There are at least five income-based repayment plans and dozens of confusing iterations. Unfortunately, far too many borrowers fail to discover or successfully maintain income-based repayment until it's too late. The **Affordable Loans for Any Student Act of 2018** would overhaul the confusing system of income-based repayment plans to give borrowers a simple choice between two plans:

- **A Fixed Repayment Plan** with equal monthly payments sufficient to repay the loan and any accrued interest over a period of 10 years; or

- **An Income-Based Repayment (IBR) Plan** in which a borrower pays 10 percent of their income above a poverty level, capped at 20 years of payments.

In addition to streamlining repayment plans for borrowers, the bill:

- **Ensures IBR borrowers get equitable relief.** A borrower in IBR pays 10 percent of their income after account for basic needs, represented as 250 percent of the federal poverty level. Borrowers below 250 percent of the federal poverty level would make no payments, which is an increase from 150 percent under current plans. The exclusion would be gradually phased out for higher income borrowers making more $120,000 per year.

- **Ends interest capitalization and origination fees.** Under current law, borrowers pay extra fees as a percentage of their loan principal upon loan origination, and often see their interest capitalize into their principal balance after periods of forbearance or falling out of an income-based plan. The bill ends both of these which can add thousands of dollars to a borrower's total payments over the life of the loan.

- **Provides additional assistance to distressed borrowers.** The bill limits aggressive federal debt collection to 10 percent of a borrower's adjusted gross income; replaces the current deferment and forbearance options into one, streamlined "pause payment" process that does not capitalize interest; automatically enrolls severely delinquent borrowers into the income-based plan; provides for automatic recertification of income; and allows a previously married couple who received a joint consolidation loan to separate such loans.

- **Improves loan disclosures and consumer-tested counseling.** Renames the "master promissory note" a "student loan contract" to improve borrower understanding, transitions toward a customized annual loan counseling process, strengthens exit loan counseling, requires the Secretary to maintain effective online loan counseling tools and requires institutions to help students make informed choices to exhaust their federal student loan eligibility before taking out private student loans.