

Threat 2: Student Loan Repayment Changes

OBBBA presents [major changes](#) to the federal student aid and the student loan repayment system. For new borrowers taking out loans after July 1, 2026, two plans are available:

- Standard repayment plan: Sets the repayment period at 10, 15, 20, or 25 years, depending on the amount borrowed
- Repayment Assistance Plan (RAP): Consists of payments that are 1% to 10% of annual gross income

Forgiveness is issued after 30 years of payments, an increase from 20 or 25 years. Key features include:

- \$10 minimum payment for all borrowers, even those with no income
- \$50 dependent deduction per child from monthly payment amount
- Unpaid monthly interest is forgiven if payments aren't enough to cover it

Borrowers can switch at any time without penalty.

For current borrowers in an income-contingent plan, they can remain on their existing plans (the current [SAVE/PAYE injunction](#) blocks borrowers from entering these plans) but must choose by July 1, 2028, [between RAP, Statutory IBR, new Standard, old Standard, Extended or Graduated](#). From July 2028 onward, previous income-based plans will be terminated and the regulatory authority to make new plans will be eliminated. However, the original Standard, Graduated, Extended plans will remain available for pre-June 2026 borrowers who are enrolled in them as of July 2028 and do not take out any additional loans. For those with loans both pre- and post-July 2026, all their loans must be placed in either the new Standard plan or RAP.

All borrowers also have limited forbearance available after July 1, 2027 — each borrower will get only nine months within a 24-month period. Also, unemployment and economic hardship deferment will be ended for borrowers who take out loans after July 1, 2026.

RISK: Increased Financial Burden for Borrowers, Especially Black, Latino, and Lower-Income Borrowers

The changes made to student loan repayment require many borrowers to begin making monthly payments again after the prolonged COVID-era payment pause and associated protections, which had kept millions of people out of delinquency and default. With federal student loan payments back online, the latest data shows a dramatic jump in delinquencies, with roughly [1 in 4 borrowers](#) with payments due behind on their loans — nearly triple the pre-pandemic delinquency rate.

The changes made to student loan repayment [will increase monthly payments](#) for many borrowers, placing more financial strain on them and increasing the risk of delinquency and default, especially for lower-income borrowers. Additionally, the new income-based repayment terms mean that very few people will ever achieve loan forgiveness. Finally, these changes are opaque and confusing, so borrowers will need guidance on their options and what is best for them.

How State Advocates Can Drive Change

Advocates should push state legislators to:

Create or expand state-level repayment assistance programs: Establish programs that provide targeted support for public sector and lower-salaried workers to help repay student loans.

Example: [Maryland's Janet L. Hoffman Loan Assistance Repayment Program \(LARP\)](#) provides state assistance for the repayment of educational loans to residents who are employed full time in certain public service fields that help low-income and underserved Maryland residents. Similarly, [Maine's Student Loan Repayment Tax Credit](#) is a refundable tax credit for Maine residents who are making qualifying payments on eligible loans.

Fund statewide student loan repayment navigators: Support a network of trained counselors who can provide individuals with repayment guidance, help borrowers understand options, and assist students in preparing for upcoming deadlines, such as the July 2028 federal repayment reset.

Example: Programs like [Kynectors](#) in Kentucky and [EdCap](#) in New York demonstrate how trained, community-based advisers can effectively guide individuals through complex systems.

Establish state-level student loan ombudsman offices: Create offices to help borrowers navigate changes, communicate with loan servicers, and access resources. [State-based student loan ombudsmen](#) provide information and resources on student loans and assist borrowers with concerns about their loan servicer.

The following states and the District of Columbia have student loan ombudsmen: California, Colorado, Connecticut, Illinois, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Oregon, Rhode Island, Virginia, and Washington.

How Advocates Can Engage Institutions to Drive Change

Advocates should push institutions to:

Provide student loan navigators to students: Ensure that graduating students, alumni, and/or prior students who may be in default meet with student loan navigators to aid them in understanding their payment options and pathways to student debt cancellation, where available.