Unveiling the Potential of Saving on a Valuable Education (SAVE)

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About The Center for Responsible Lending (CRL)

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, rural, women, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

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Contents

Executive Summary

The U.S. Department of Education is in the process of implementing a new income-driven repayment (IDR) plan for federal student loans known as Saving on a Valuable Education (SAVE). Like other IDR plans, the SAVE plan calculates monthly payment amounts based on income and family size but cuts payments in half for many borrowers, protects more of a borrower's income, and prevents balances from growing due to unpaid interest. As a result, the SAVE plan is the most affordable plan to date, offering the lowest monthly payments of any IDR plan for over 20 million borrowers.[1]

Beyond the immediate benefit of reducing student loan payments, the SAVE plan has implications for the broader financial health of student loan borrowers, including the ability to save and the possibility of homeownership—especially if complementary policy changes are implemented in mortgage underwriting. Through an analysis of anonymized credit records, this research aims to identify the borrowers who are likely to benefit from this repayment plan, explore its potential financial impact, and assess its potential to enhance homeownership prospects.

Key Findings Include:

1. The SAVE plan carries the potential to significantly reduce the monthly payments of current IDR borrowers, potentially **lowering them from $197 to $69.**

2. Borrowers who are actively making monthly payments would experience a **debt-to-income (DTI) ratio reduction of 1.5% to 3.6%** by enrolling in SAVE.

3. If the Federal Housing Administration (FHA) adopts underwriting criteria similar to Fannie Mae by counting $0 payments, **borrowers with $0 payments could see their DTI decrease by between 3.8% to 7.1%.**

Background

Over the past few decades, student loan debt has risen, now representing the largest non-mortgage debt burden carried by Americans. This substantial increase in student debt, coupled with factors such as higher mortgage rates, have created barriers to homeownership for younger generations. Homeownership rates among young adults have declined and have fallen behind those of older generations.[2] The repercussions of this trend are particularly pronounced among households of color, as they often need to borrow more to access higher education opportunities.

Carrying a high debt burden prevents borrowers from accessing wealth-building opportunities like homeownership, which in turn, contributes to a widening racial wealth and opportunity gap. Given the interlocking nature of debt and wealth, the potential impacts of policy change in student debt can only be fully realized through complementary interventions in mortgage lending and other federal policies. This interconnected approach is essential to addressing the complex challenges posed by student loan debt and its broader effects on wealth accumulation.

Income-Driven Repayment Plans

As of 2019, 31% of all student loan borrowers were enrolled in IDR plans.

Income-driven repayment (IDR) plans were introduced in the 1990s to make payments more affordable and manageable for student loan borrowers. Currently, borrowers have access to four different IDR plans: Income-Contingent Repayment (ICR), Income-Based Repayment (IBR), Pay As You Earn (PAYE), and Saving on a Valuable Education (SAVE) Plan. (SAVE replaces the REPAYE, or Revised Pay As You Earn, Plan). All four plans are structured similarly with monthly payments based on income and family size and a period for forgiveness that is typically 20 to 25 years of qualifying payments. As of 2019, 31% of all student loan borrowers were enrolled in IDR plans.[3]

In a recent poll jointly conducted by CRL and Americans for Financial Reform (AFR), an overwhelming 74% of respondents expressed their support for the SAVE plan.[4] The SAVE plan stands out as the most generous IDR plan to date, offering lower monthly payments and a shorter forgiveness period for eligible borrowers than any other plan. Specifically, SAVE incorporates the following changes that make it more affordable than any other plan and allow borrowers to spend on basic needs instead of loan payments.

SAVE Incorporates the Following Changes:

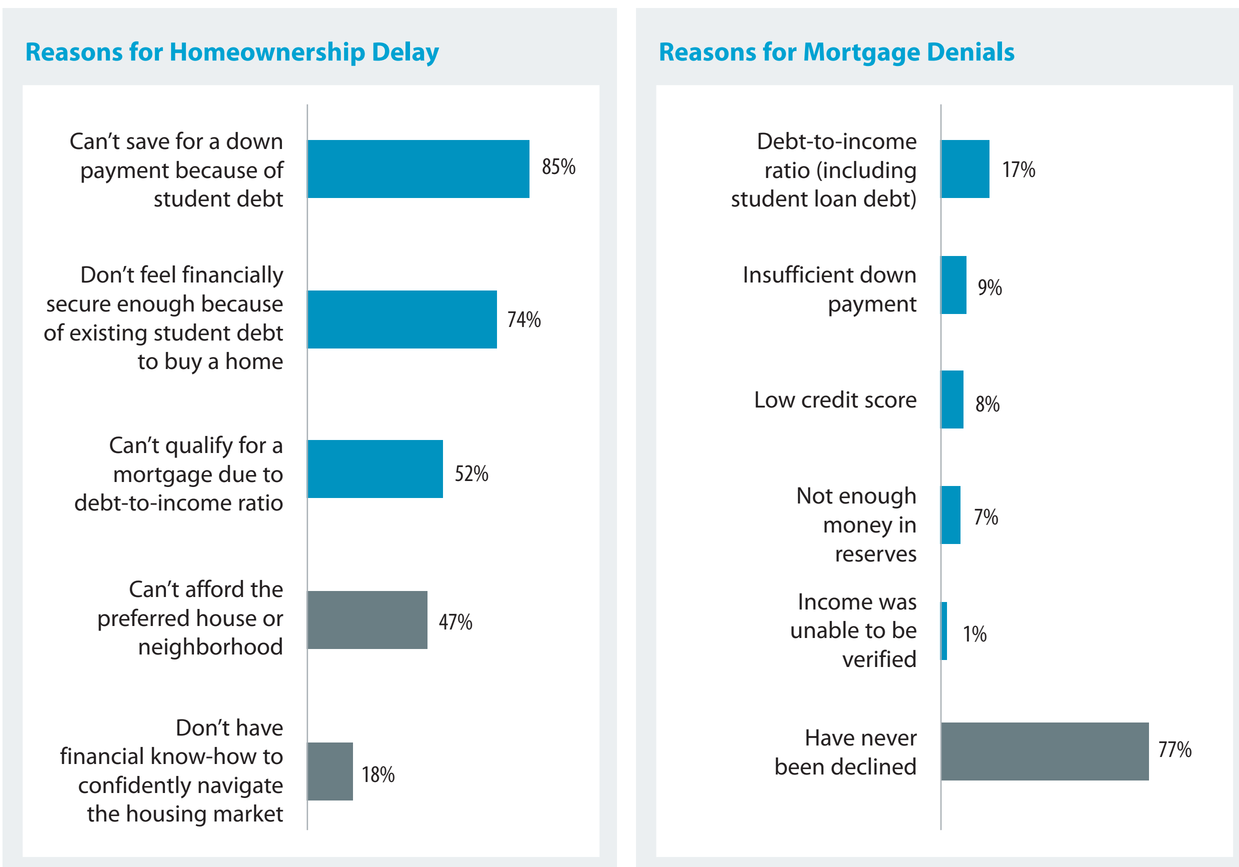
1. The amount of protected income rises from 150% to 225% of federal poverty guidelines (FPL).
2. Monthly payments on undergraduate loans are reduced from 10% of discretionary income to 5%, while those with both undergraduate and graduate loans will pay a weighted average of between 5% and 10% of their income.
3. Unpaid interest will not be added to balances as long as borrowers make their monthly payments.
4. Borrowers with balances up to $12,000 will receive forgiveness after 10 years of qualifying payments, instead of the 20–25 years under other IDR plans.

The Department of Education estimates that more than 20 million borrowers could benefit from SAVE, with over one million low-income households newly qualifying for $0 payments. Borrowers earning more than $15 per hour would save more than $1,000 a year on their payments compared to other IDR plans.[5]

Student Debt and Mortgage Eligibility

Rising student debt burdens, along with increased housing costs, have created barriers to homeownership for young Americans. Student debt delays homeownership due to its impact on the ability to save for a down payment, debt-to-income ratio, and credit scores—all of which are critical determinants of mortgage eligibility. In a survey by the National Association of Realtors, 74% of respondents indicated their student debt was the cause of not being able to buy a home and over half (52%) of non-homeowners reported that they could not qualify for a mortgage due to high DTI ratios. Elevated DTI ratio, a measure of total monthly debts divided by gross income, was the most common reason for mortgage denial among non-homeowners, representing 40% of those declined.[6]

Figure 1: Impact of Debt-to-Income Ratio on Homeownership for Student Loan Borrowers



Source: Student Loan Debt and Housing Report 2017, National Association of Realtors.

Furthermore, the 2019 Home Mortgage Disclosure Act (HMDA) data revealed a significant trend: **close to 60% of mortgage application denials among Millennials were attributed to elevated debt-to-income ratios and lower FICO scores.**[7] The homeownership rate for Millennials, 43% in 2019, lags the national average of 65%, even though they make up the largest share of the adult population.[8] Although homeownership rates increase with age, Millennials have not had the same experience with homeownership as other generations. By age 30, 54% of college-educated boomers owned a home compared to 38% of college-educated Millennials, and 49% of non-college educated Boomers owned homes compared to 24% of non-college educated Millennials.[9] Lower homeownership is attributable to a range of economic and affordability constraints including increasing student debt, decline of affordable housing supply, and delay in household formation.[10]

Student loan payments are included in the DTI calculation, along with other monthly expenses. By reducing monthly payments, the new SAVE plan could lower borrowers' DTI ratios, moving them closer to mortgage readiness. The reduction in debt also means borrowers can save more for a down payment and potentially purchase a more expensive home.

Figure 2: Changes to IDR Plans Have Homeownership Implications

Policy Change		Impact on Borrower		Outcome for Homeownership
Reduces repayment rate from 10% to 5% and protects more income	→	Reduces monthly payments and increases disposable income	→	Reduces debt-to-income ratios and increases savings

Research Questions

By addressing the following three research questions, this report aims to understand who will benefit from the SAVE plan and what impact reduced monthly student loan payments will have on the homeownership potential of millions of student loan borrowers:

1. **Who could be impacted by the SAVE Plan?**
2. **What are the potential financial impacts of enrolling in the SAVE plan?**
3. **How could enrolling in SAVE impact mortgage eligibility?**

We leveraged the University of California Consumer Credit Panel, a longitudinal data set of credit records sourced from one of the three nationwide credit bureaus. The data set is a nationally representative sample of six million Americans with credit records. Our research relies on data from 2019, predating the payment pause on federal student loans initiated in response to the COVID-19 pandemic.

Credit records provide information on borrowing amounts, account balances, and payment histories for federal and private student loans along with other credit products such as credit cards, mortgages, and car loans. These data do not include any information on repayment plans, family size, race and ethnicity, or income. However, certain elements, such as the scheduled payment amount and loan term, provide indicators that enable inference about whether a borrower is likely enrolled in an IDR plan or another alternative repayment arrangement. This analysis leverages those elements along with other assumptions and public data sets described in the appendix to identify IDR borrowers and assess the impact of SAVE.

Identifying Potential SAVE Participants and Program Impact

Who Could Be Affected by the SAVE Plan?

Age Group and Credit Scores

We utilized anonymized credit records to identify and analyze the credit histories of potential IDR borrowers. It is important to note that when student loan servicers provide data to nationwide consumer reporting agencies, they do not indicate whether a student loan borrower is enrolled in an IDR plan. Consequently, it is not possible to directly discern a borrower's specific repayment plan from their credit records, including those in the University of California Consumer Credit Panel. We can, however, infer IDR enrollment by examining the scheduled payment amount reported to the credit agency. Specifically, when a borrower's scheduled monthly payment is lower than the amount they would be required to pay under a standard repayment plan—and sometimes even as low as $0—it likely signals IDR participation (see Technical Appendix).

According to our analysis, the typical borrower participating in an IDR plan is 38 years old, with Millennials representing the largest share of borrowers in our sample at 54% (Table 1). This aligns with aggregate data from the Department of Education showing 51% of IDR borrowers (4.1 million) in 2019 were 34 or younger.[11]

The average credit score across borrowers is 686, with older generations having higher average credit scores than younger generations (Table 1). Given that Millennials are more likely to be enrolled in IDR and less likely to own a home than older generation, subsequent analysis is focused solely on Millennials in our sample. Additionally, we focus on Millennials because homeownership tends to correlate with age, and this demographic is currently in their prime homebuying years.

Table 1: Age Group and Credit Score of IDR Borrowers in Credit Reporting Sample

Generation	Share of Borrowers	Average Credit Score
Gen Z	2%	625
Millennials	54%	682
Gen X	34%	692
Boomers	11%	703
Silent	<1%	718
Greatest	<0.1%	703

Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

Racial and Ethnic Composition of Zip Codes

Within the Millennial generation, **IDR borrowers in majority Black zip codes exhibit the lowest credit scores and the lowest rates of homeownership** (Table 2). Millennial IDR borrowers in majority white zip codes have higher student debt balances ($45,123) than those in Black ($44,607) or Latino zip codes ($39,221).

Despite carrying higher balances, borrowers in majority-white zip codes also have considerably higher credit scores and homeownership rates than borrowers in majority Black or Latino zip codes. The average credit score among borrowers in majority-white zip codes, 693, is 40 points higher than the average in majority Latino zip codes and 70 points higher than the average in majority Black zip codes.[12] Likewise, there are large gaps in homeownership by race and ethnicity. Borrowers in majority white zip codes are nearly twice as likely to be homeowners as borrowers in majority Black zip codes, and 1.6 times more likely to be homeowners than borrowers in majority Latino zip codes. Even when looking only at Millennial borrowers with super prime credit scores,[13] the percentage of majority Black zip code residents with mortgages remains lower at 39%, compared to their majority white zip code counterparts, where 48% of IDR borrowers hold mortgages.

Table 2: Student Debt Balances, Credit Scores, and Homeownership Rates Among Millennial IDR Borrowers by Race

	Majority Black Zip Codes	Majority Latino Zip Codes	Majority White Zip Codes
Average Student Debt Balance	$44,607	$39,221	$45,123
Average Credit Score	623	653	693
Share with Mortgages	16%	19%	31%

Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

Findings

What Are the Potential Financial Impacts of Enrolling in the SAVE plan?

Overall, the Department of Education estimates that over 20 million borrowers could benefit from transitioning to the SAVE plan.[14] Additionally, the Department predicts that more than one million low-income borrowers will qualify for a $0 monthly payment, while the remaining borrowers will see annual savings of at least $1,000 when compared to previous IDR plans.[15]

Overall, the Department of Education estimates that over 20 million borrowers could benefit from transitioning to the SAVE plan.

In our research, we evaluated the increased impact of the SAVE plan as compared to existing IDR plans. To do so, we calculated the potential repayment amounts for borrowers who transition from their current IDR plan to the SAVE plan. Our calculations are based on several conservative assumptions, as outlined in the Technical Appendix. For instance, we assume that all borrowers are in single-person households, as multi-person households generally receive a larger income exemption.

When enrolled in the SAVE plan, borrowers are required to pay 5%–10% of their discretionary income. Borrowers with incomes under 225% of the poverty guideline (which currently equates to incomes under $32,805) would pay nothing each month, because they are not considered to have any discretionary income.

Borrowers with incomes that are more than 225% of the poverty guideline can also benefit under the SAVE plan. A sample borrower in our dataset had an adjusted gross income (AGI) estimated to be $65,017. During the last quarter of 2019, this borrower had an expected monthly student loan payment of $372 and a student debt balance of $46,279. Assuming this borrower is single with no dependents, we estimate their monthly payments before and after SAVE in Figure 3.

Figure 3: Reductions to Student Loan Payments for Sample Borrower with $65,017 AGI Under the SAVE Plan

2023 poverty guideline for household size of 1: **$14,580**

225% of $14,580 is **$32,805**

$32,212 annual discretionary income **($65,017 - $32,805)**

If this borrower enrolls in the **SAVE Plan,** their monthly payment would be:

5% of their discretionary income, or **$134/MONTH** ($32,212 x 5%, divided by 12 months), if they only carry undergraduate loans.

8.75% of their discretionary income, or **$235/MONTH** ($32,212 x 8.75%, divided by 12 months), if 25% of their debt is attributed to undergraduate loans and 75% of their debt is attributed to graduate loans.[16]

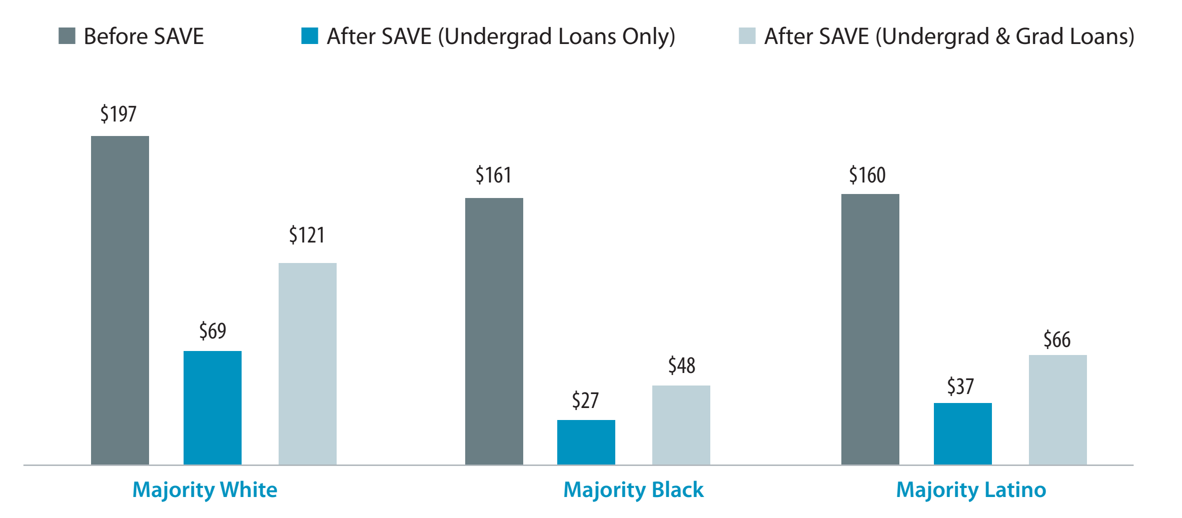
This borrower would save:

$238 PER MONTH ($372 - $134)
or **$2,856 PER YEAR** if all their loans were undergraduate loans
or $**137 PER MONTH** ($372 - $235)
or **$1,644 PER YEAR** if they held both undergraduate and graduate loans.

Source: CRL calculations.

In our analysis of Millennials with student debt enrolled in IDR, the average borrower paid $193 a month. Under SAVE, average monthly payments would decrease to $67 for borrowers with only undergraduate loans and $117 for borrowers with both undergraduate and graduate loans. **All these borrowers have at least $120/month and approx. $1,500/year in student loan payment savings.** Borrowers in majority- Black and majority-Latino zip codes could see the biggest reductions in monthly payments for undergraduate debt, 83% and 77% respectively, compared to a 65% reduction in majority-white zip codes.

Figure 4. Average Monthly Payment Before and After SAVE for All Millennial IDR Borrowers by Racial Composition of Zip Code and Loan Type



Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

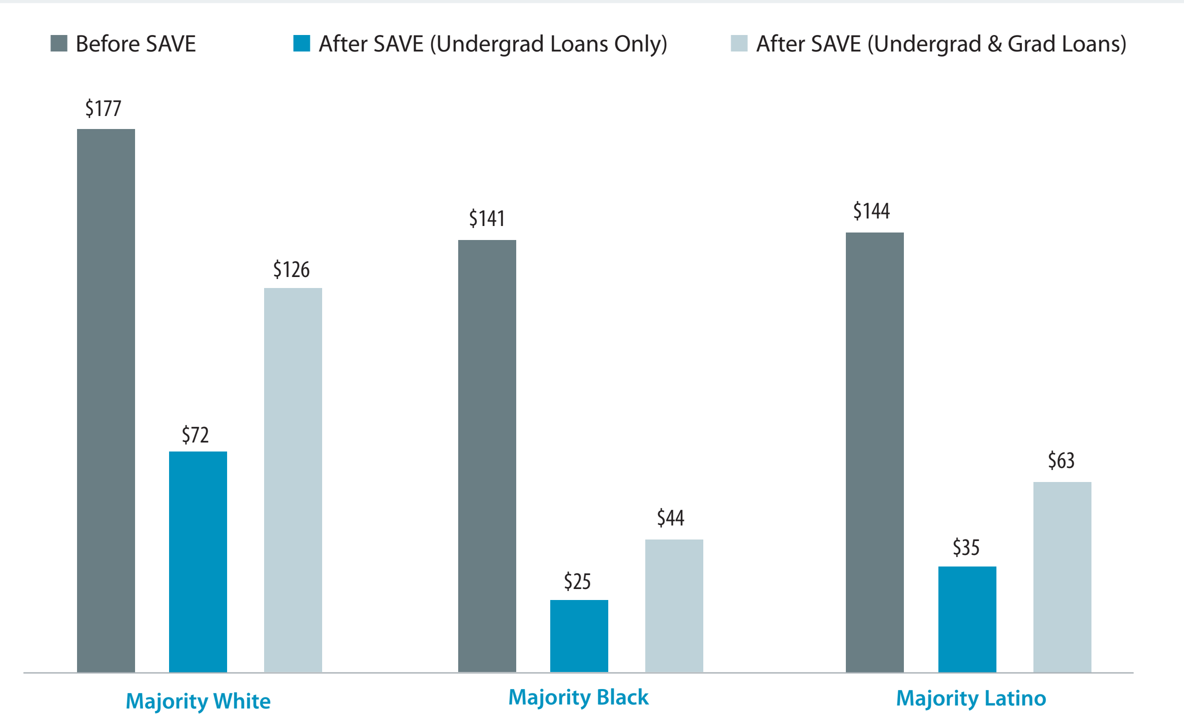
How Could Enrolling in SAVE Impact Mortgage Eligibility?

Student debt directly delays homeownership because of its negative impact on the ability to save for a down payment. It also increases DTI ratios, which lenders use to determine mortgage eligibility and loan size. By reducing monthly payments and protecting a greater portion of income, the SAVE plan allows borrowers to potentially increase the amount of savings they could put toward a down payment on a home. Reduced monthly payments could enable previously ineligible borrowers—as well as those who were already DTI eligible but have not yet purchased a home—to align more favorably with DTI requirements for government insured mortgages and expand or improve their mortgage eligibility.

Reduced Monthly Payments Could Increase Ability to Save

Extending our Millennial borrower calculations to just the non-homeowner population, our analysis shows that IDR borrowers who do not own a home will, on average, have lower monthly payments. Undergraduate-only borrowers residing in majority Latino zip codes would, on average, have their monthly payments fall from $144 to $35. Those living in majority white zip codes would, on average, see their monthly payments decrease from $177 to $72. Borrowers in majority Black zip codes would, on average, experience a reduction in monthly payments from $141 to $25.

Figure 5: Average Monthly Payments Before and After SAVE for Millennial IDR Borrowers Who Don't Own Homes, by Racial Composition of Zip Code and Loan Type



Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

Enrolling in SAVE Could Make It Easier for Borrowers to Access Credit by Reducing Their DTI ratio

The SAVE plan could reduce borrowers' monthly payments, subsequently lowering their DTI ratio and improving their likelihood of obtaining mortgage approval.

Loans insured by the FHA have more flexible underwriting criteria and are more accessible to low- and moderate-income buyers with lower credit scores, higher DTIs, and smaller down payments than conventional loans. Under FHA guidelines, the underwriter must compute the DTI ratios using:

- The payment amount reported on the credit report or the actual documented payment, when the payment amount is above $0; or
- 0.5% of the outstanding loan balance, when the monthly payment reported on the borrower's credit report is $0.

In 2022, the average DTI ratio for FHA borrowers was 44%, and 28% of borrowers had ratios above 50%.[17] In our research, we examined how changes in monthly payments could impact DTI ratios for borrowers transitioning to the SAVE plan. Our focus was primarily on borrowers whose DTIs ranged from 40% to 65%. Categorizing borrowers based on their DTI levels, we observed that **Millennial IDR borrowers who do not own a home and are actively making payments towards their undergraduate loans would experience a DTI reduction ranging from 1.5% to 3.6%, upon transitioning to the SAVE plan.** Notably, borrowers residing in majority Black zip codes will experience reductions in DTI by approximately 2.6%. Meanwhile, Millennial borrowers with both undergraduate and graduate loans who are participating in IDR plans can expect more modest improvements in their DTI, a decrease of between 1.4% to 2.3%.

Table 3: Reduction in DTI by Switching to the SAVE Plan by Racial Composition of Zip Codes

DTI Range	All	Black	Latino	White
All	2.4%	2.6%	2.1%	2.6%
40%–45%	1.7%	1.8%	1.5%	1.8%
45%–50%	2.0%	1.7%	1.9%	2.2%
50%–55%	2.4%	2.4%	2.1%	2.6%
55%–60%	2.9%	2.8%	2.1%	3.2%
60%–65%	3.3%	3.3%	2.3%	3.6%

Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

Counting Actual IDR Payments Will Improve the DTI of Borrowers

Borrowers enrolled in IDR plans typically exhibit annual incomes in the moderate to low range, coupled with higher levels of debt, when compared to individuals in alternative repayment plans. In fact, for those with incomes below a certain threshold, payments can be as little as $0, and over half (54%) of borrowers participating in the REPAYE plan have a monthly payment schedule set at $0.[18]

For IDR borrowers making $0 payments, the path to homeownership is more complicated because they typically have low incomes. Federal agencies and government-sponsored enterprises involved in the regulation and insurance of mortgages use different calculations for IDR payments in their underwriting process, especially when the payment amount is $0 (Table 4). For example, FHA uses .5% of total loan balance instead of the $0 payment, when calculating DTI. By comparison, Fannie Mae uses the monthly IDR payment even if it is $0.

Table 4: Treatment of IDR for Zero-Dollar Payments by Federal Agencies in Underwriting[19]

Agencies	Treatment of IDR	Annual Payments on a $25,000 Loan
Fannie Mae	Use the monthly $0 IDR payment	$0 per year
Freddie Mac FHA USDA	Does not accept zero-dollar repayments Use 0.5% of the loan balance monthly (6% annually)	$1,500 per year
VA	Does not accept zero-dollar repayments It is at the lender's discretion to: **1.** Use the monthly IDR payment reported on credit report if that amount is more than $0, or **2.** Use 5% of the outstanding loan balance per year divided on a monthly basis, if the reported amount is $0 or greater	Non-zero, and up to $1,250 per year

Our analysis suggests that factoring in borrowers' actual $0 payments in the DTI calculation—in line with Fannie Mae's underwriting criteria—would lead to an average DTI reduction ranging from 3.8% to 7.1%, as illustrated in Table 5.

Table 5: Reduction in DTI Ratios According to FHA and Fannie Mae Underwriting Criteria

DTI Range	All	Majority Black	Majority Latino	Majority White
All	5.6%	5.5%	4.6%	5.9%
40%–45%	4.6%	4.5%	3.8%	4.8%
45%–50%	4.9%	4.5%	4.2%	5.3%
50%–55%	5.7%	5.0%	4.1%	6.2%
55%–60%	6.5%	6.3%	5.1%	6.9%
60%–65%	6.7%	6.3%	5.2%	7.1%

Source: CRL analysis of University of California Consumer Credit Panel (UC-CCP) data.

Conclusion

According to the Department of Education, 31% of 43 million student loan borrowers were enrolled in various forms of income-driven repayment (IDR) in 2019.[20] More than 20 million borrowers stand to benefit from enrolling in SAVE, the latest IDR program offered by the Department of Education. With lower monthly payments and a reduced time frame for forgiveness, SAVE is the most affordable plan to date. Beyond the immediate benefits of paying less every month, borrowers who enroll in the new SAVE plan will experience improvements to their financial health, especially their debt-to-income ratios. Our findings suggest that the average Millennial IDR borrower will see their payment decrease from $197 to $69, with borrowers in majority-Black neighborhoods having new monthly payments as low as $25.

Lower monthly debt payments impact borrowers' DTI ratios, which in turn increases mortgage eligibility and homeownership possibility. Borrowers with non-zero monthly payments who have DTIs between 40% and 65% will see their DTI drop between 1.5% and 3.6% by enrolling in SAVE. However, for the benefits of SAVE to be fully realized, underwriting criteria for federally insured mortgages must reflect actual payments, even if that payment is $0. If the FHA were to use the same underwriting criteria as Fannie Mae, which counts actual payments even if they are $0, borrowers making $0 payments could experience a reduction in DTI from between 3.8% to 7.1%.

More research is needed to understand the full impact of SAVE on the financial lives of all student loan borrowers. This analysis only considers the possibility of current IDR borrowers transitioning to SAVE and does not include borrowers who are not already enrolled in IDR and could newly enroll in SAVE. Despite these limitations, our findings suggest enrolling in SAVE could provide a needed boost toward homeownership for a subset of low- and moderate-income borrowers.

Technical Appendix

We used the University of California Consumer Credit Panel (UC-CCP), an anonymized data set of consumer credit records from one of the three nationwide credit reporting agencies.

The UC-CCP has two extracts, and this report uses the national extract, which is a 2% nationally representative sample of American adults with credit records. The data set includes information about consumers (such as their age, zip code, and credit score) and information about their loans (such as the account type, balance, and payment history).

Dates. Our analysis relies on data from 2019, predating the payment pause on federal student loans initiated in response to the COVID-19 pandemic.

Affected Borrowers.

- We limit our analysis to "primary records" for the 2% sample, so that associated borrowers and household members are not included.
- Account type code is 12 (education loan).
- Terms frequency code is not D. This excludes loans that are deferred.
- Enhanced special comment code is not CP. This excludes loans in forbearance.
- ECOA code is one or H. This excludes loans with an indication they are private education loans (such as cosigned/joint loans).
- Exclude loans where the account balance amount is missing or $0.

Criteria for Likely-IDR Borrowers.

We analyze a sample of borrowers who were in repayment on their student loans in the last quarter of 2019. In the context of this report, a borrower is categorized as likely being in an IDR plan (hereafter referred to as "in IDR" or an "IDR borrower") if any of the following conditions hold true for student loans currently in repayment:

- The reported minimum monthly payment is $0 and no code for deferment or forbearance is reported.
- The borrower has a scheduled monthly payment that is less than 90% of the estimated monthly payment under a standard repayment plan.

To identify borrowers whose monthly payments are lower than what would typically be anticipated under a standard 10-year repayment plan, we compute an anticipated monthly payment based on the repayment terms of their loan, assuming a 5% interest rate and no associated fees. If a borrower's actual monthly payment falls below 90 % of this expected payment, we categorize them as participants in an IDR plan.

For instance, consider a borrower with a student loan principal of $10,000; the expected monthly payment for this individual under a 10-year plan with a 5% interest rate would be $106. Consequently, individuals within our data set who have a $10,000 outstanding student loan principal and an initial monthly payment lower than $95 are identified as IDR borrowers.

Age. We calculate age using the month and year of birth.

Credit Scores. We observe VantageScore 4.0, which ranges from 300 to 850. For much of our analysis, we use VantageScore's credit rating categorization: subprime 300–600, near prime 601–660, prime 661–780, and super prime 781–850.

Racial/Ethnic Demographics. We merge our credit reporting data with the American Community Survey 2015–19 data on self-reported race/ethnicity. We defined majority Black neighborhoods as zip codes with a population of at least 50% Black residents, majority Latino neighborhoods as zip codes with a population of at least 50% Hispanic residents, and majority white neighborhoods as zip codes with a population of at least 50% non-Hispanic white residents. In our analysis, we present results for borrowers residing in neighborhoods where the majority of residents are Black, Latino, and white.

Income. We merge our credit reporting data with the American Community Survey 2015–19 data and utilize household income information from renter-occupied housing units at the zip code level as a proxy for income.

Assumptions to Estimate Monthly Student Loan Payments. Loan type (undergraduate vs. graduate loan), household income, and family size cannot be directly observed in credit reporting data. In our analysis, we have made the following assumptions:

- Adjusted Gross Income (AGI) is assumed to be equal to the median household income at the zip code level.
- Due to the inherent limitations of our data, we cannot determine the precise classification of student debt, distinguishing between undergraduate and graduate loans. Therefore, we model two scenarios in our analysis. The first scenario assumes all loans in our data set are undergraduate loans. The second scenario assumes that 25% of a borrower's debt was for undergraduate education and 75% was for graduate education; a weighted repayment rate of (25% x 5%) + (75% x 10%) = 8.75%.
- Family size is assumed to be equal to one.

Home Price. We used the Zillow Home Value Index (ZHVI) to estimate a borrower's monthly mortgage payment for a 30-year mortgage with a 6% interest rate. ZHVI serves as a metric for the typical home value and market fluctuations within a specific region and housing category. It represents the average value for homes falling within the 35th to 65th percentile range. Our data collection was conducted at the Metropolitan Statistical Area (MSA) level.

Endnotes

[1] FACT SHEET: The Biden-Harris Administration Launches the SAVE Plan, the Most Affordable Student Loan Repayment Plan Ever to Lower Monthly Payments for Millions of Borrowers | The White House

[2] Student Loan Debt and Access to Homeownership for Borrowers of Color | Urban Institute

[3] "Direct Loan Portfolio by Repayment Plan" from the U.S. Department of Education, Federal Student Aid available at https://studentaid.gov/data-center/student/portfolio. Data only include Direct borrowers or ED-held FFEL borrowers. Repayment plan enrollment rates for privately held FFEL borrowers are not publicly available. Borrowers enrolled in the "alternative repayment" plan are classified as on a repayment plan not tied to their income.

[4] https://www.responsiblelending.org/research-publication/voters-overwhelmingly-support-consumer-bureaus-mission-across-party-lines

[5] https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/22/fact-sheet-the-biden-harris-administration-launches-the-save-plan-the-most-affordable-student-loan-repayment-plan-ever-to-lower-monthly-payments-for-millions-of-borrowers/#:~:text=Borrowers%20will%20see%20their%20total,save%20nearly%20%242%2C000%20a%20year

[6] https://www.nar.realtor/sites/default/files/documents/2017-student-loan-debt-and-housing-09-26-2017.pdf

[7] https://sf.freddiemac.com/docs/pdf/fact-sheet/millennial-playbook_millennials-and-housing.pdf

[8] https://sf.freddiemac.com/docs/pdf/fact-sheet/millennial-playbook_millennials-and-housing.pdf

[9] Generational Gaps in Income and Homeownership | St. Louis Fed (stlouisfed.org)

[10] https://www.urban.org/sites/default/files/publication/98729/millennial_homeownership_0.pdf

[11] https://studentaid.gov/data-center

[12] The Urban Institute conducted an analysis using a 2% nationally representative panel of deidentified consumer-level records obtained from a prominent credit bureau. The study examining credit scores across various racial groups revealed significant disparities. In majority white communities, borrowers held a median credit score of 727, while Latino communities had a median score of 667, and Black communities had a median score of 627, as of August 2021. See https://datacatalog.urban.org/dataset/credit-health-during-covid-19-pandemic

[13] A super prime credit score refers to an exceptionally high credit score that falls within the uppermost tier of creditworthiness. In our data set, a score in the 781–850 range is called super prime.

[14] https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/22/fact-sheet-the-biden-harris-administration-launches-the-save-plan-the-most-affordable-student-loan-repayment-plan-ever-to-lower-monthly-payments-for-millions-of-borrowers/#:~:text=Borrowers%20will%20see%20their%20total,save%20nearly%20%242%2C000%20a%20year.

[15] https://www.whitehouse.gov/cea/written-materials/2023/08/22/new-student-loan-repayment-plan-benefits-borrowers-beyond-lower-monthly-payments/

[16] https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/idrfactsheetfin.pdf

[17] https://www.hud.gov/sites/dfiles/Housing/documents/2022FHAAnnualRptMMIFund.pdf

[18] https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf

[19] Fannie Mae's guidelines: https://selling-guide.fanniemae.com/Underwriting-Borrowers/Liability-Assessment/Monthly-Debt-Obligations/Student-Loan-Payments/1032982281/What-is-the-policy-on-income-driven-repayment-plans-for-student-loans.htm

Freddie Mac's guidelines: https://guide.freddiemac.com/app/guide/section/5401.2

FHA guidelines: https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-13hsgml.pdf

USDA guidelines: https://www.rd.usda.gov/files/3555-1chapter11.pdf

VA guidelines: https://www.benefits.va.gov/warms/docs/admin26/m26-07/chapter_4_credit_underwriting.pdf

[20] https://studentaid.gov/data-center/student/portfolio.

Center for Responsible Lending

www.responsiblelending.org

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, rural, women, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

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