Blog Article

Understanding Student Loan Repayment Plans for the Future

by Colby Moergeli, Financial Planning Associate

Dealing with student loan repayment can feel overwhelming – different plans, changing laws and rules, uncertainty over loan forgiveness, and court decisions all add complexity. Many borrowers have returned to repayment after various COVID-era pauses. New laws are on the horizon that will reshape what plans are available in 2026 and beyond. Selecting or recertifying a repayment plan can cost student borrowers more money or expel them for eligibility for forgiveness. However, by educating yourself on student loan repayment plans, borrowers can help themselves avoid pitfalls and pick smarter options in the future.

Federal student loans offer several types of repayment options. Broadly, they fall into two different categories:

1.) Standard/Fixed/Traditional Plans – Predictable payments, fixed schedule
2.) Income-Driven/Income-Based/Flexible Plans – Payments adjust based on income; forgiveness may apply.

Standard, Graduated and Extended plans make sense for a borrower who has stable income and can handle the fixed monthly payment. Standard payments are predictable and lower total interest costs over the life of the loan. Loan term is for 10 years. However, payments can be high if you borrow a lot. Graduated payments will start low and gradually increase every 2 years, while Extended can last for 25 or 30 years, lowering the monthly payments. Both plans have manageable payments early on, although more interest will be paid over time and there is no forgiveness benefit.

Monthly income-Driven/Income-based payments are set as a percentage of discretionary income; payments will adjust every year as income or family size changes. You must recertify annually with these plans. Loan terms are often 20-25 years, and remaining balances may be forgiven after those loan terms are reached.

<u>What's Changing and What to Watch for the 2026 & 2028 Law Changes:</u>

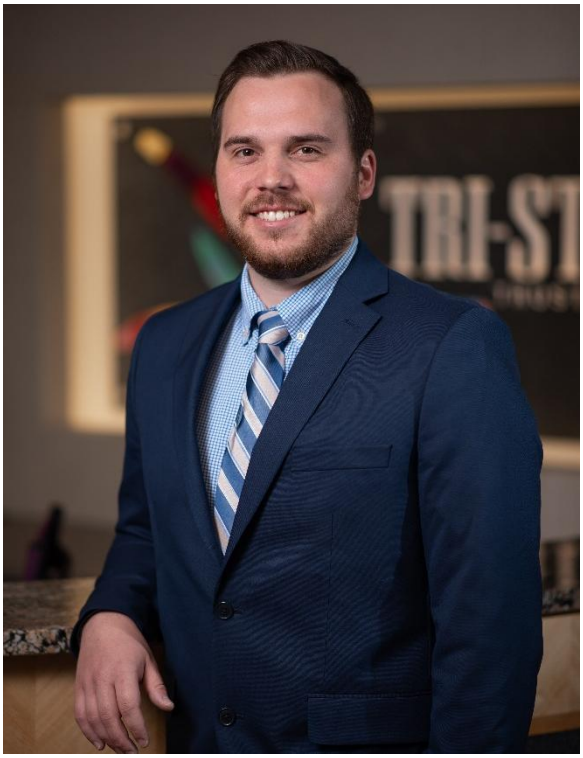
- Starting July 1, 2026, a new plan called RAP (Repayment Assistance Plan) is scheduled to replace many existing IDR (Income Driven Repayment) Plans for new federal loans.
- Some existing IDR plans (like PAYE, ICR, and SAVE) may be phased out by July 1, 2028, for many borrowers.
- Any new borrower (those with any new federal loans taken out on or after July 1, 2026) will have access to just two repayment plans: A new Standard Plan or the new income-based plan called RAP.

- Borrowers who have only older loans (all loans originated before July 1, 2026) will retain access to the existing plans for a limited transition period (until July 1, 2028) in most cases.
- The RAP is expected to have a minimum payment floor (e.g. $10/month), recalculate payments differently, and forgiven after 30 years rather than 20-25, along with some interest subsidies.
- Borrowers with Parent PLUS loans may lose access to some IDR plans unless they consolidate before deadlines.

Key Tips & Best Practices for Borrowers:

It is important that some borrowers act before July 2026 – for example, consolidating or enrolling in certain plans before the new rules limit their options going forward.

- **Recertify on time:** For IDR plans, borrowers must submit income and family size documents every year. Missed recertification can lead to higher payments or removal from the plan.
- **Choose the plan with the lowest payment you qualify for:** Especially if the borrower is chasing loan forgiveness.
- **Be aware of legal uncertainty:** Some parts of SAVE and other IDR provisions are paused or being litigated.
- **Don't wait too late:** Some changes take effect in 2026, so acting earlier may give more flexibility.
- **Consider refinancing only if safe:** Private refinancing might reduce interest but often disqualifies you from federal forgiveness protections.
- **Stay updated:** The Department of Education's site (StudentAid.gov) has announcements and tools, or reach out to Colby Moergeli Colby.moergeli@tristartrust.com for all your help and needs with student loans!



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