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STUDENT DEBT FORGIVENESS IN U.S. TO TOTAL \$207 BILLION IN NEXT DECADE, CBO SAYS

The biggest benefits will go to borrowers who attend graduate or professional school

By Josh Mitchell
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WASHINGTON – The U.S. government will forgive \$207.4 billion in student debt for Americans who take out loans over the next decade, the Congressional Budget Office said Wednesday. The biggest benefits will go to borrowers who attend graduate or professional school.

The CBO projects the government will originate \$1.05 trillion in new loans from 2020 to 2029. Much of that will end up in income-driven repayment plans, which set monthly payments as a share of a borrower's income and then forgive balances that remain after 20 to 25 years, or 10 years for workers in public-sector jobs.

The biggest benefits will go to Americans who borrow for graduate school, the CBO said in a report. The government will likely forgive \$167.1 billion for such borrowers, or 56 percent of the amount extended. The forgiven amount includes the original loan amounts, or principal, as well as unpaid interest.

The government will forgive about \$40.3 billion on new loans made for undergraduates over that period, or 21 percent of the original amounts, according to the CBO study, which was ordered in 2018 by the Senate Budget Committee Chairman, Sen. Mike Enzi (R., Wyo.)

Congress created the income-based repayment plans starting in the 1990s. President Obama promoted the plans to stem a rise in defaults after 2007-2009 recession.

Enrollment in the plans has surged in recent years. The CBO says the two main groups of borrowers are those in low-paid jobs and those with large student-debt balances. There is some overlap between those groups. Borrowers with big balances tend to have advanced degrees and land well-paying jobs. Many borrowers with small balances dropped out of college and have low-paying work.

The U.S. government is the nation's primary lender for college and graduate students. About 43 million Americans owe \$1.51 trillion in federal student loans. Current law requires that any balances forgiven for private-sector workers will be taxed as ordinary income.

The plans set monthly payments at 10 percent of a borrower's discretionary income. In many cases the payments don't cover the interest, causing the balances to rise. After the end of the repayment period, the government forgives the balances.