Student Loan Update!

Critical Changes Coming Soon

If you applied for the Income-Based Repayment Plan (or "IBR") over the last year or so but were denied because you earn too much money (Is that even possible in this economy?), it's time to submit a new application. That's because the U.S. Department of Education is about to drop the requirement that applicants must have a "partial financial hardship." By January, that requirement should be gone, opening the door for everyone who wants to enroll in IBR, one of the last remaining income-driven repayment plans.

If your goal is Public Service Loan Forgiveness, switching to IBR in January makes sense. So does reviewing your tax-filing status. If you're married, you'll want to consider filing separately until you reach your 120th qualifying payment, which will mean your monthly student loan payment on IBR would be based on your income alone. Your spouse's income wouldn't be part of the calculation. Maxing out your contributions to your retirement plan will also lower your Adjusted Gross Income, which will also lower your monthly student loan payment.

If you're one of the millions of borrowers who've been stuck in the SAVE forbearance since last August, it's probably time for you to move into IBR. It's been nice not having to make a payment, of course, but you haven't been getting credit for the work time, either, and there are no signs that you'll be able to do so retroactively down the road. Use the loan estimator tool on studentaid.gov to get a rough idea of what your monthly payment will be in the IBR plan, and get back on the road to making 120 qualifying payments.

It's not all good news, unfortunately. **If you're not finished with your education and need to take out additional loans, you're in a tough spot.** That's because any loans taken out after June 30, 2026, will make all of your loans, including all undergrad loans already enrolled in IBR, ineligible for any plans other than the new Repayment Assistance Plan ("RAP"), which will debut next summer, or the Standard Plan, which would repay your loans in full and leave no balance to be forgiven after ten years. Let me repeat that: If your current loans are being repaid through IBR and you take out a new federal loan after June 30, 2026, your old loans and your new loans would have to be repaid through the Standard Plan or RAP. Cambridge Credit Counseling will show you how the RAP plan will work in an upcoming webinar, so please try to attend.

If you're a federal Parent PLUS loan borrower, the next few months may be critical. You want to ensure that your Plus loans have been consolidated and that you're paying through the income Contingent Repayment plan, or "ICR." You must do this and make at least one ICR payment before June 30, 2026. Please note that this cutoff date works differently from prior federal student loan deadlines, for which you typically only had to have submitted a completed application by the date in question. For PLUS loan holders who haven't already consolidated their loans, they'll need to complete their consolidation before June 30, 2026. Considering that a consolidation can take two months or longer to complete, you may need to submit a consolidation application by mid-April to make sure your loans have been consolidated by the end of June, and that you've made at least one payment on that new consolidated loan through the ICR plan.

And that's not all, Parent PLUS loan borrowers. If your student is still in college and you need to take out additional Parent PLUS loans, you have some very difficult choices to make. If you take out any additional loans, your existing Parent PLUS loans will not only become ineligible for ICR/IBR, they will also become ineligible for repayment through the RAP plan and would no longer be forgivable through Public Service Loan Forgiveness. For this reason, we're advising anyone in this position to either have their spouse take out the additional federal loans, shielding the existing loans from damage, or to consider taking out private loans for the remainder of their child's education.