

## Reimagining and Improving Student Education (RISE)

### Negotiated Rulemaking

#### Discussion Paper and Proposed Regulatory Text: Miscellaneous Loan Repayment Provisions and Public Service Loan Forgiveness

Session 1, September 29 – October 3, 2025

**Discussion:** William D. Ford Federal Direct Loan (Direct Loan) and Public Service Loan Forgiveness (PSLF) Program Amendments

**Legislative Action:** On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (Pub. L. 119-21) (OBBB) into law. Among a wide array of provisions, the OBBB included statutory changes that affect Title 34 of the Code of Federal Regulations. The OBBB introduces significant reforms to federal student loan programs, with the aim to streamline loan repayment, reduce borrower burden, and enhance accountability.

**Statutory citation:** Sections 428C(a); 428F(a); 455(d), (g), (m) and (q); and 493C(b) of the Higher Education Act of 1965, as amended (HEA).

**Regulatory citation:** 34 CFR 685.210, 34 CFR 685.211(a) and (d), 34 CFR 685.219, 34 CFR 685.220, 34 CFR 685.221

**Summary:** The Department is proposing corresponding changes to the regulatory and statutory citations in the regulatory sections listed above, as well as proposing to modify the regulatory text to reflect the following statutory provisions, as provided in the OBBB:

- Revise loan repayment plans available to borrowers with loans made on or after July 1, 2026
  - Borrowers who receive loans on or after July 1, 2026 will have access to a new simplified income-based repayment plan called Repayment Assistance Plan (RAP)
  - Borrowers with loans currently in repayment, who do not receive new loans after June 30, 2026, will retain access to existing fixed payment repayment plans

(which are discussed in a different discussion draft)  
and Income-Based Repayment (IBR)

- o Allow the Secretary to place a borrower that does not select a repayment plan in the standard repayment plan
- Limit the ability of borrowers to change repayment plans based upon the date a loan was made
- Allow borrowers to switch repayment between the standard repayment plan and RAP at any time
- Allow FFEL or Direct Loan borrowers repaying under an income-driven repayment plan to terminate repayment, at any time, and repay under the standard repayment plan or RAP
- Require borrowers with loans made on or after July 1, 2026 to repay each outstanding loan under the same selected repayment plan, except that excepted loans are not eligible repayment under the Repayment Assistance Plan (RAP)
- Require borrowers who received excepted loans on or after July 1, 2026 to repay them under the standard repayment plan
- Exclude excepted consolidation loans from repayment under the IBR plan or RAP
- Implement the income-driven Repayment Assistance Plan (RAP) and all applicable terms and conditions, effective by July 1, 2026
  - o Apply monthly payments first toward interest due, next toward fees due, and then toward the principal due on each loan repaid under the plan
  - o Permit defaulted loans, excepted for excepted consolidation loans, to be repaid under RAP
- Sunset the repayment of all loans under the Income-Contingent Repayment (ICR) and Pay As You Earn (PAYE) plans by June 30, 2028
- Implement special provision for consolidation loans that repaid an excepted loan to access repayment under an income-based repayment plan between July 4, 2025, through June 30, 2028
- Exclude excepted consolidation loans from repayment under the income-based repayment plan or RAP
- Amend eligible repayment plans for purposes of loan forgiveness for public service employees to include the ICR

plan, for which a payment was received on or before June 29, 2028, and RAP

**Proposed amendatory text in redlines represents additions, edits, and paragraph restructuring in the following sections:**

Revise and republish § 685.210 to read as follows:

**§ 685.210 Choice of repayment plan.**

\* \* \* \* \*

(a) Initial selection of a repayment plan.

(1) (i) Before a Direct Loan enters into repayment, the Secretary provides a borrower with a description of the available repayment plans and requests that the borrower select one. A borrower may select a repayment plan before the loan enters repayment by notifying the Secretary of the borrower's selection in writing.

(ii) Borrowers with Direct Loans made on or after July 1, 2026, may select—

(A) The tiered standard repayment plan in accordance with § 685.208 if those Direct Loans are otherwise eligible to be repaid under the plan; or

(B) The Repayment Assistance Plan in accordance with § 685.209 if those Direct Loans are otherwise eligible to be repaid under the plan.

(2) (i) For Direct Loans made before July 1, 2026, ~~if~~ a borrower does not select a repayment plan, the Secretary designates the standard repayment plan described in § 685.208(b) (1) or (b) (2) for the borrower, as applicable.

(ii) For Direct Loans made on or after July 1, 2026, if a borrower does not select a repayment plan, the Secretary designates the tiered standard repayment plan described in § 685.208(c) (1) for the borrower.

(3) All Direct Loans obtained by one borrower must be repaid together under the same repayment plan, except that—

(i) A borrower of a Direct PLUS Loan or a Direct Consolidation Loan that is not eligible for repayment under an IDR plan may

repay the Direct PLUS Loan or Direct Consolidation Loan separately from other Direct Loans obtained by the borrower;  
~~and~~

(ii) A borrower of a Direct PLUS Consolidation Loan that entered repayment before July 1, 2006, may repay the Direct PLUS Consolidation Loan separately from other Direct Loans obtained by that borrower; ~~and.~~

(iii) (A) A borrower of a Direct PLUS Loan or an excepted consolidation loan defined under § 685.209 that is not eligible for repayment under the Repayment Assistance Plan must repay the Direct PLUS Loan or excepted consolidation loan separately from other Direct Loans obtained by the borrower that are being repaid under the Repayment Assistance Plan.

(B) A borrower who has received an excepted loan as defined under § 685.209 made on or after July 1, 2026, must repay the excepted loan under the tiered standard repayment plan under § 685.208(c) (1) and may repay the other Direct Loans separately from such excepted loan.

(b) Changing repayment plans.

(1) For Direct Loans made before July 1, 2026, Aa borrower who has entered repayment may change to any other repayment plan for which the borrower is eligible at any time by notifying the Secretary. However, a borrower who is repaying a defaulted loan under the IBR plan or who is repaying a Direct Consolidation Loan under an IDR plan in accordance with § 685.220(d) (1) (i) (A) (3) may not change to another repayment plan unless—

(i) The borrower was required to and did make a payment under the IBR plan or other IDR plan in each of the prior three months; or

(ii) The borrower was not required to make payments but made three reasonable and affordable payments in each of the prior 3 months; and

(iii) The borrower makes, and the Secretary approves, a request to change plans.

(2)

(i) For Direct Loans made before July 1, 2026, Aa borrower may not change to a repayment plan that would cause the borrower to have a remaining repayment period that is less than zero months, except that an eligible borrower may change to an IDR plan under § 685.209 at any time.

(ii) For the purposes of paragraph (b)(2)(i) of this section, the remaining repayment period is—

(A) For a fixed repayment plan under § 685.208 or an alternative repayment plan under § 685.221, the maximum repayment period for the repayment plan, the borrower is seeking to enter, less the period of time since the loan has entered repayment, plus any periods of deferment and forbearance; and

(B) For an IDR plan under § 685.209, as determined under § 685.209(k).

(3) For Direct Loans made before July 1, 2026, Aa borrower who made payments under the IBR plan and successfully completed rehabilitation of a defaulted loan may chose the REPAYE plan when the loan is returned to current repayment if the borrower is otherwise eligible for the REPAYE plan and if the monthly payment under the REPAYE plan is equal to or less than their payment on IBR.

(4)

(i) For Direct Loans made before July 1, 2026, If a borrower no longer wishes to pay under the IBR plan, the borrower must pay under the standard repayment plan or the Repayment Assistance Plan. ~~and For the standard repayment plan,~~ the Secretary recalculates the borrower's monthly payment based on—

(A) For a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a Direct PLUS Loan, the time remaining under the maximum ten-year repayment period for the amount of the borrower's loans that were outstanding at the time the borrower discontinued paying under the IBR plan; or

(B) For a Direct Consolidation Loan, the time remaining under the applicable repayment period as initially determined under § 685.208 (b) (7) (iii) and the amount of that loan that was outstanding at the time the borrower discontinued paying under the IBR plan.

(ii) For Direct Loans made before July 1, 2026, A borrower who no longer wishes to repay under the IBR plan and who is required to repay under the Direct Loan standard repayment plan in accordance with paragraph (b) (4) (i) of this section may request a change to a different repayment plan after making one monthly payment under the Direct Loan standard repayment plan. For this purpose, a monthly payment may include one payment made under a forbearance that provides for accepting smaller payments than previously scheduled, in accordance with § 685.205(a).

(5) For Direct Loans made on or after July 1, 2026, a borrower may change repayment plans in accordance with this paragraph (b) (5) at any time after the loan has entered repayment by notifying the Secretary.

(i) A borrower who is enrolled in the tiered standard repayment plan under § 685.208(c) (1) or is placed in the tiered standard repayment plan in accordance with the provisions under paragraph (a) (2) (ii) of this section may change to the Repayment Assistance Plan under § 685.209.

(ii) A borrower who is enrolled in the Repayment Assistance Plan under § 685.209 may change to the tiered standard repayment plan under § 685.208(c) (1).

\* \* \* \* \*

Amend § 685.211 by revising subsections (a) and (d) to read as follows:

**§ 685.211 Miscellaneous repayment provisions.**

\* \* \* \* \*

(a) \* \* \*

(1) \* \* \*

(i) Except as provided for the Income-Based Repayment plan or Repayment Assistance Plan in paragraph (a) (1) (ii) of this section, the Secretary applies any payment in the following order:

(A) Accrued charges and collection costs.

(B) Outstanding interest.

(C) Outstanding principal.

(ii) The Secretary applies any payment made under the Income-Based Repayment plan or the Repayment Assistance Plan in the following order:

(A) Accrued interest.

(B) Collection costs and late charges.

~~(C) Late charges.~~

(~~C~~ D) Loan principal.

\* \* \* \* \*

(d) \* \* \*

(3) \* \* \*

(ii) If a borrower defaults on a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Direct Consolidation Loan that is not an excepted consolidation loan as defined in § 685.209, or a student Direct PLUS Loan, the Secretary may designate the ~~income-contingent repayment~~ Repayment Assistance Plan or the income-based repayment plan for the borrower.

\* \* \* \* \*

Amend §685.219 by revising subsection (b) Definitions,

Qualifying Repayment Plan (iv) and (v), to read as follows:

**§ 685.219 Public Service Loan Forgiveness Program (PSLF).**

\* \* \* \* \*

(b) \* \* \*

**Qualifying repayment plan means:**

\* \* \*

(iv) An income-contingent repayment plan under § 685.209 for which a payment was received on or before June 29, 2028; or

(v) The Repayment Assistance Plan as defined under § 685.209.

\* \* \* \* \*

Amend § 685.220 by revising subsections (d)(2), (h), and (i) to read as follows:

**§ 685.220 Consolidation.**

\* \* \* \* \*

(d) \* \* \*

(2) \* \* \*

(i)

(A) Before July 1, 2028, ~~the~~ the borrower has a Federal Consolidation Loan that is in default or has been submitted to the guaranty agency by the lender for default aversion, and the borrower wants to consolidate the Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining an income-contingent repayment plan or an income-based repayment plan; or

(B) On or after July 1, 2028, the borrower has a Federal Consolidation Loan that is in default or has been submitted to the guaranty agency by the lender for default aversion, and the borrower wants to consolidate the Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining the Income-Based Repayment plan or Repayment Assistance Plan; or

(ii) The borrower has a Federal Consolidation Loan, and the borrower wants to consolidate that loan into the Direct Loan Program for the purpose of using the Public Service Loan Forgiveness Program or the no accrual of interest benefit for active duty service.

\* \* \* \* \*

(h) \* \* \*

(1) For a Direct Consolidation Loan made before July 1, 2026, aA borrower may choose a repayment plan ~~for a Direct Consolidation Loan,~~ in accordance with §§ 685.208, 685.209, and 685.221, and may change repayment plans in accordance with § 685.210(b).



(2) For a Direct Consolidation Loan made on or after July 1, 2026, a borrower may choose the tiered standard repayment plan, or the Repayment Assistance Plan, in accordance with §§ 685.208, 685.209 and may change repayment plans in accordance with § 685.210(b) .

\* \* \* \* \*

(i) \* \* \*

(2) \* \* \*

(i) Borrowers who entered repayment before July 1, 2006. The Secretary determines the repayment period under § 685.208~~(i)~~ (b) (3) (iv) or (5) (iv) on the basis of the outstanding balances on all of the borrower's loans that are eligible for consolidation and the balances on other education loans except as provided in paragraphs (i) (3) (i), (ii), and (iii) of this section.

(ii) Borrowers entering repayment on or after July 1, 2006. The Secretary determines the repayment period under § 685.208~~(j)~~ (b) (2) (iii) or (7) (iii) on the basis of the outstanding balances on all of the borrower's loans that are eligible for consolidation and the balances on other education loans except as provided in paragraphs (i) (3) (i) through (iii) of this section.

(3)

(i) The total amount of outstanding balances on the other education loans used to determine the repayment period under § 685.208~~(i)~~ (b) (2) (iii), (3) (iv), (5) (iv), and (7) (iii)~~(j)~~ may not exceed the amount of the Direct Consolidation Loan.

(ii) The borrower may not be in default on the other education loan unless the borrower has made satisfactory repayment arrangements with the holder of the loan.

(iii) The lender of the other educational loan may not be an individual.

\* \* \* \* \*

Amend § 685.221 by revising subsection (a) and adding subsection (e) to read as follows:

**§ 685.221 Alternative repayment plan.**

\* \* \* \* \*

(a) The Secretary may provide an alternative repayment plan to a borrower who has not received a Direct Loan on or after July 1, 2026 and who demonstrates to the Secretary's satisfaction that the terms and conditions of the repayment plans specified in §§ 685.208 and 685.209 are not adequate to accommodate the borrower's exceptional circumstances.

\* \* \* \* \*

(e) The repayment plan under this section shall only apply to Direct Loans made before July 1, 2026.