

# Student Loans

## Recent State Policy Actions

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The growth of total student loan debt and borrowing levels has slowed in recent years, largely due to payment pauses, loan forgiveness programs and stagnant postsecondary enrollment. However, student loans remain the [third-largest source of consumer debt](#), trailing only mortgages and effectively tied with auto loans. Nearly [43 million](#) Americans owe a student loan balance according to Department of Education data.

After a nearly four-year pause, student loan payments resumed in fall 2023, although a temporary “on-ramp” program offered an additional grace period for borrowers through fall 2024. Preliminary data suggests many borrowers have been slow to begin repaying their loans. Data from the Department of Education shows only 38% of borrowers are in repayment and current on their student loans. Currently, more than 5 million borrowers have not made a payment in over a year and sit in default, while an additional 4 million borrowers are in late-stage delinquency. The Department of Education recently announced that it will resume collections activity on defaulted student loans on May 5, 2025.

Borrowers continue to navigate confusing federal repayment policies. In February, a federal court [issued a new injunction](#) for the Saving on a Valuable Education (SAVE) Plan and parts of other income-driven repayment (IDR) plans. Borrowers enrolled in SAVE are currently in administrative forbearance, which temporarily pauses payments and interest accrual. The Department of Education has not processed new applications for income-driven



### Key Takeaways

- Millions of student loan borrowers must now begin repaying their student loans as payment pauses and forbearance expire.
- State policymakers continue to consider legislation addressing student loan repayment, oversight and other state policy issues related to student loan borrowing.

repayment plans since August 2024 and temporarily took down applications in February before restoring them in late March. The department announced intentions to begin processing those 1.9 million applications as soon as May 2025.

The department has also announced an upcoming rulemaking session on student loan repayment and forgiveness, which will likely attempt to implement a March executive order addressing changes to the Public Service Loan Forgiveness (PSLF) Program.

The Office of Federal Student Aid has also undergone significant change, including losing nearly half of its staff in the March “reduction in force” at the department. President Trump has also suggested [moving](#) management of the student loan portfolio to the Small Business Administration.

# State Policy Action

Amid these concerns about the resumption of repayment, states continue to consider measures to address student loan debt. In the past three legislative sessions, states have considered more than 400 measures related to student loans.

## Forgiveness and Repayment

States continue to develop, modify, and expand loan forgiveness or repayment programs to help borrowers reduce their debt, while offering incentives for talented, in-demand students and recent graduates to live, work and stay in their states. These programs provide borrowers with debt relief or payment support in exchange for work or service in specific professions or fields (commonly health care and education) for a period of time. More than 20 states have enacted legislation addressing student loan forgiveness programs.

Forgiveness bills for health care providers are the most common area of state forgiveness legislation over the past three legislative sessions. Georgia passed a [measure](#) that will expand the service cancelable loan program for physicians and other health care providers in underserved areas to include dental students and specific criteria for rural areas. In 2023, Idaho [created](#) the Rural Nursing Loan Repayment Program. Nurses may qualify for a total of up to \$25,000 in loan repayment upon completion of three years of service in a rural area.

State legislatures continued to consider policies supporting loan repayment and forgiveness for educators. Kentucky [established](#) the Teacher Recruitment Student Loan Forgiveness Pilot Program in 2024 to provide stipends of up to \$5,000 for teachers and eligible student teachers through the Student Teacher Stipend Program. Maryland [authorized](#) Anne Arundel County to establish a Student Loan Assistance Repayment Program for educators employed by the county's public schools.

Utah [created](#) the Veterinarian Education Loan Repayment Program in 2023 with an appropriation of \$2.5 million. The program will provide up to \$100,000 in loan repayment for eligible veterinarians. Colorado passed a [law](#) in 2023 to expand forgiveness to six veterinarian applicants per year and increasing forgiveness awards by \$5,000 more per year.

Florida [legislation](#) will require an annual report on student loan repayment programs. The law also requires the development of a design study to evaluate the effectiveness of student loan repayment programs beginning in 2025 and to be completed by 2030. Washington passed a [law](#) that requires state agencies to provide PSLF materials upon separation and develop a statewide program to increase access and remove barriers to using PSLF.

## Oversight

As millions of students navigate the resumption of repayment, these borrowers face a variety of challenges. Changes in federal contracts for loan servicers have resulted in millions of borrowers having a new servicing company with different interfaces and communications. A [2024 report](#) from the Consumer Financial Protection Bureau analyzed over 18,000 consumer complaints related to servicing errors. The report found that borrowers commonly encountered billing errors, inaccurate repayment information, and customer service failures.

States continue to consider a range of measures to address student lending oversight including licensure of servicers, creation of student loan ombudsman, and expanded oversight of [private lending options](#) available to borrowers. In the last decade, at least 18 states have passed legislation expanding licensure and regulation of servicers and more than a [dozen states](#) now have specific ombudsman in place to address borrower complaints for student lending.

In 2023, Nevada passed legislation to expand the licensure and regulation of student loan servicers. The measure also expands the duties of the student loan ombudsman created [in 2020](#) and allows the ombudsman to make student complaints available to the state attorney general. Oklahoma passed [legislation](#) that

amends the state's Student Borrower's Bill of Rights Act to prohibit student loan servicers from failing to provide certain loan forgiveness information. Illinois [modified](#) protections for loan cosigners and created requirements for private lenders offering students refinancing options to disclose terms and conditions of refinancing the loan. New York [law](#) will require private education debt lenders to register with the superintendent of financial services.

## Taxes and Other Legislation

In 2023, the U.S. Department of Education announced regulations banning most withholding of transcripts at higher education institutions. Since 2019, at least 10 states have enacted legislation that would prohibit transcript withholding because of debt owed at higher education institutions. This includes recent legislative actions in the past three years in [Connecticut](#), [Illinois](#), [Maryland](#), [Oregon](#), and [Rhode Island](#).

[New York](#) and [California](#) passed measures to exclude student loan discharge or forgiveness amounts from state income tax. Connecticut also passed a [measure](#) in 2024 to expand student loan payment tax credits for employers who make student loan payments on behalf of an employee.

Washington passed [legislation](#) in 2023 to amend the Washington Student Loan Program for graduate students to include new provisions that specify the eligible fields of study to include fields with a workforce shortage or in high demand. These fields include but are not limited to, health care, behavioral and mental health, early education, K-12, higher education, law enforcement, public safety and others. The program is scheduled to [launch](#) in the 2025-26 academic year.

### ADDITIONAL RESOURCES

- [NCSL Student Loan Bill Tracking Database](#)
- [NCSL Postsecondary Bill Tracking Database](#)

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