

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

STATE OF MISSOURI, *et al.*,

Plaintiffs,

v.

DONALD J. TRUMP, in his official capacity
as President of the United States, *et al.*,

Defendants.

Case No. 4:24-cv-520-JAR

SETTLEMENT AGREEMENT

The States of Missouri, Arkansas, Florida, Georgia, North Dakota, Ohio, and Oklahoma (“Plaintiffs”) and the United States Department of Education, Linda E. McMahon (in her official capacity as Secretary of Education), and President Donald J. Trump (in his official capacity as President of the United States) (“Defendants” and collectively “the Parties”) hereby enter into this Settlement Agreement.

Plaintiffs’ Release and Dismissal of Claims

1. Upon the execution of this Settlement Agreement, Plaintiffs hereby release and forever discharge Defendants, their successors, the United States of America, and any department, agency, or establishment of the United States, and any officers, employees, agents, successors, or assigns of such department, agency, or establishment, from any and all claims and causes of action that Plaintiffs assert or could have asserted in this litigation, or which hereinafter could be asserted by reason of, or with respect to, or in connection with, or which arise out of, the causes of action alleged in the Complaint.

2. Upon the execution of this Settlement Agreement, Plaintiffs hereby release and forever discharge Defendants, their successors, the United States of America, and any department, agency, or establishment of the United States, and any officers, employees, agents, successors, or assigns of such

department, agency, or establishment, from any and all past, present, or future claims for attorneys' fees, costs, or litigation expenses in connection with the above-captioned litigation.

Definitions

3. The “SAVE Plan” is defined as the income-contingent repayment plan, also known as “Saving on a Valuable Education,” created in 2023 as a revision to the “REPAYE Plan”¹ under the authority of Section 455 of the Higher Education Act of 1965, 20 U.S.C. § 1087e(d)(1)(D), *see Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program*, 88 Fed. Reg. 43820 (July 10, 2023).

4. The “SAVE Plan Final Rule” is defined as the Final Rule published on July 10, 2023, *Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program*, 88 Fed. Reg. 43820 (July 10, 2023).

5. The “REPAYE Plan” is defined as the income-contingent repayment plan, also known as “Revised Pay As You Earn,” created in 2015 under the authority of Section 455 of the Higher Education Act of 1965, 20 U.S.C. § 1087e(d)(1)(D), *see Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program*, 80 Fed. Reg. 67204 (Oct. 30, 2015), and modified in 2023 by the SAVE Plan Final Rule.

6. The “PAYE Plan” is defined as the income-contingent repayment plan, also known as “Pay As You Earn,” created in 2012 under the authority of Section 455 of the Higher Education

¹ The SAVE Plan was created by amending the existing REPAYE plan. *See Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program*, 88 Fed. Reg. 43820, 43822 (July 10, 2023) (“The Department initially contemplated creating another repayment plan. After considering concerns about the complexity of the student loan repayment system and the challenges of navigating multiple IDR plans, we instead decided to reform the current REPAYE plan to provide greater benefits to borrowers. However, given the extensive improvements being made to REPAYE, we have decided to rename REPAYE as the Saving on a Valuable Education (SAVE) plan. This new name will reduce confusion for borrowers as we transition from the existing terms of the REPAYE plan. Borrowers currently enrolled on the REPAYE plan will not have to do anything to receive the benefits of the SAVE plan, and the new name will be reflected on written and electronic forms and records over time.”).

Act of 1965, 20 U.S.C. § 1087e(d)(1)(D), *see Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program*, 77 Fed. Reg. 66088 (Nov. 1, 2012).

7. The “Original ICR Plan” is defined as the income-contingent repayment plan, also known as “Income-Contingent Repayment,” created in 1994 under the authority of Section 455 of the Higher Education Act of 1965, 20 U.S.C. § 1087e(d)(1)(D), *see William D. Ford Direct Loan Program*, 59 Fed. Reg. 61664 (Dec. 1, 1994).

Plaintiffs’ Duties and Obligations

8. Concurrent with the execution of this Settlement Agreement, Plaintiffs’ counsel shall file the Joint Motion for Entry of Final Judgment that is attached to this Settlement Agreement. Plaintiffs shall not include this Settlement Agreement as an attachment to that filing.

Defendants’ Duties and Obligations

9. Defendants will not forgive loans under the SAVE Plan (or under the REPAYE plan) using the Department of Education’s income-contingent repayment (ICR) authority, Higher Education Act of 1965 § 455, 20 U.S.C. § 1087e, as it was interpreted by the SAVE Plan Final Rule. However, nothing in this Settlement Agreement shall prevent the Department of Education from forgiving loans of individuals currently enrolled in the SAVE Plan using a separate source of legal authority, such as Borrower Defense to Repayment discharges, discharges due to the borrower’s death, Total and Permanent Disability Discharges, Closed School Discharges, or Public Service Loan Forgiveness.

10. With one exception, Defendants will not implement any provisions of the SAVE Plan Final Rule. The exception is for the provision concerning the periods of deferment or forbearance that are counted towards eligibility for loan forgiveness under income-driven repayment plans, which is codified at 34 C.F.R. § 685.209(k)(4)(iv), which took effect on July 1, 2024, and the legality of which was never challenged in this case. That provision will remain in effect.

11. Defendants will not enroll any new borrowers in the SAVE Plan, will deny any pending enrollment applications for the SAVE Plan, and will continue working to move all current borrowers

out of the SAVE Plan. Defendants will likewise not enforce the original REPAYE rule or otherwise enroll any borrowers, including SAVE borrowers, into the original REPAYE Plan.

12. Defendants will pursue negotiated rulemaking to effectuate this settlement. As part of that negotiated rulemaking, the Department of Education will consider: (a) a formal and complete repeal of the SAVE Plan Final Rule, (b) sunsetting the Original ICR Plan under 34 C.F.R. § 685.209(a)(4), and (c) sunsetting the PAYE Plan under 34 C.F.R. § 685.209(a)(3), consistent with Section 82001(c) of the One Big Beautiful Bill Act (OBBBA), Pub. L. No. 119-21, 139 Stat. 72, 340-41 (July 4, 2025). Defendants have not prejudged the outcome of that negotiated rulemaking process, to the extent that the Department of Education retains any policy discretion on these subjects in the aftermath of the enactment of the OBBBA.

13. Any time that Defendants plan to or have reason to believe that they will cancel or forgive more than \$10 billion in federal student loans within a one-month period, the Department of Education or its successors shall provide written notice to the Office of the Attorney General of Missouri at least 30 days before cancellation or forgiveness, identifying the basis for Defendants' legal authority and how much they estimate will be forgiven or cancelled. If Defendants do not provide written notice under the previous sentence, but actually did forgive more than \$10 billion in federal student loans within a one-month period, the Department of Education or its successors shall provide written notice to the Office of the Attorney General of Missouri within 30 days after the end of such month. This provision will expire ten years after the date of this Settlement Agreement.

Miscellaneous Provisions

14. Each undersigned representative certifies that he or she is fully authorized to enter into the terms and conditions of this Settlement Agreement and to execute and legally bind the Parties he or she represents to this document.

15. The parties acknowledge that this Settlement Agreement is entered into solely for the purpose of settling and compromising the claims in this action without further litigation, and that it shall not be construed as evidence or as an admission regarding any issues of law or fact, or regarding

the truth or validity of any allegation or claim raised in this action, or as evidence or as an admission by Defendants regarding Plaintiffs' entitlement to any relief (including attorneys' fees or other litigation costs), or regarding the propriety of venue in this district.

16. This Settlement Agreement is not intended to create, and does not create, any third-party beneficiary rights or any other kind of right or privilege for any person, group, or entity.

17. Nothing contained in this Settlement Agreement shall impose on Defendants any duty, obligation, or requirement, the performance of which would be inconsistent with federal law in effect at the time of such performance.

18. This Settlement Agreement constitutes the entire agreement among the Parties and supersedes all prior representations, agreements, and understandings, whether oral or written, concerning the subject matter of the Settlement Agreement.

19. This Settlement Agreement may be executed in counterparts, and is effective on the date by which all parties have executed this Agreement. Facsimiles and PDF versions of signatures (including electronic signatures or “/s/” signatures) shall constitute acceptable, binding signatures for purposes of this Agreement.

20. This Settlement Agreement is binding on the Parties, their successors in office, employees, representatives, delegates, agents, and assigns, and all persons acting on their behalf, to the extent permitted by law or required by this Settlement Agreement.

21. Failure by any party to enforce this entire Settlement Agreement or any provision thereof shall not be construed as a waiver, including of its right to enforce other provisions of this Settlement Agreement.

* * *

SO STIPULATED AND AGREED this 9th day of December, 2025.

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