

Understanding Biden's Student Loan Debt Relief Plan

President Biden, Vice-President Harris, and the U.S. Department of Education have announced a three-part plan to help working and middle-class federal student loan borrowers transition back to regular payment as pandemic-related support expires. This plan includes loan forgiveness of up to \$20,000. Eligible candidates for debt relief will have until December 31, 2023 to apply.

Part 1: Final extension of the student loan repayment pause

Federally held loans were suspended during the pandemic and to ensure a smooth transition back to making regular repayments, the Biden-Harris Administration will extend the pause a final time through December 31, 2022, with payments resuming in January 2023. The extended pause will happen automatically, so **borrowers do not need to do anything to extend the student loan pause through the end of the year.**

Part 2: Providing targeted debt relief to low- and middle-income families

The U.S. Department of Education will provide up to \$20,000 in debt cancellation to Pell Grant recipients with loans held by the Department of Education and up to \$10,000 in debt cancellation to non-Pell Grant recipients. Borrowers are eligible for this relief if their individual income is less than \$125,000 or \$250,000 for households. The amount of relief is capped at the amount of the individual outstanding student loan debt.

	Pell Grant Recipient	Non-Pell Grant Recipient
Individual income less than \$125,000	Up to \$20,000	Up to \$10,000
Individual income of \$125,000 or more	\$0	\$0
Household income less than \$250,000	Up to \$20,000	Up to \$10,000
Household income of \$250,000 or more	\$0	\$0

Will the Public Service Loan Forgiveness (PSLF) Program be impacted?

Yes. There are time-limited changes that waive certain eligibility criteria in the PSLF Program that will expire on October 31, 2022. **The temporary changes will allow borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF.** For more details about eligibility and requirements, please visit [PSLF.gov](https://pslf.gov).

Part 3: Make the student loan system more manageable for current and future borrowers

The Biden-Harris Administration is proposing a rule to create a new income-driven repayment plan that will substantially reduce future monthly payments for lower-and middle-income borrowers. The rule would:

- Require borrowers to pay no more than 5% of their discretionary income monthly on undergraduate loans.
- Raise the amount of income that is considered non-discretionary income and therefore is protected from repayment.
- Forgive loan balances after 10 years of payments, instead of 20 years for borrowers with loan balances of \$12,000 or less.
- Cover the borrower's unpaid monthly interest so no borrower's loan balance will grow as long as they make their monthly payments.

Frequently Asked Questions

What do I need to do in order to receive loan forgiveness?

- Many borrowers may be eligible to receive relief automatically because relevant income data is already available to the U.S. Department of Education.
- If the U.S. Department of Education doesn't have your income data, the Administration will launch a simple application which will be available in early October.
- You can get more details and access the U.S. Department of Education application at [U.S. Department of Education](https://www.ed.gov)
- Once a borrower completes the application, they can expect relief within 4-6 weeks.
- **Borrowers are advised to apply before November 15th** in order to receive relief before the payment pause expires on December 31, 2022.

Sources:

1. www.studentaid.gov/debt-relief-announcement/

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