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# Understanding President Biden's Student Loan Debt Relief Program

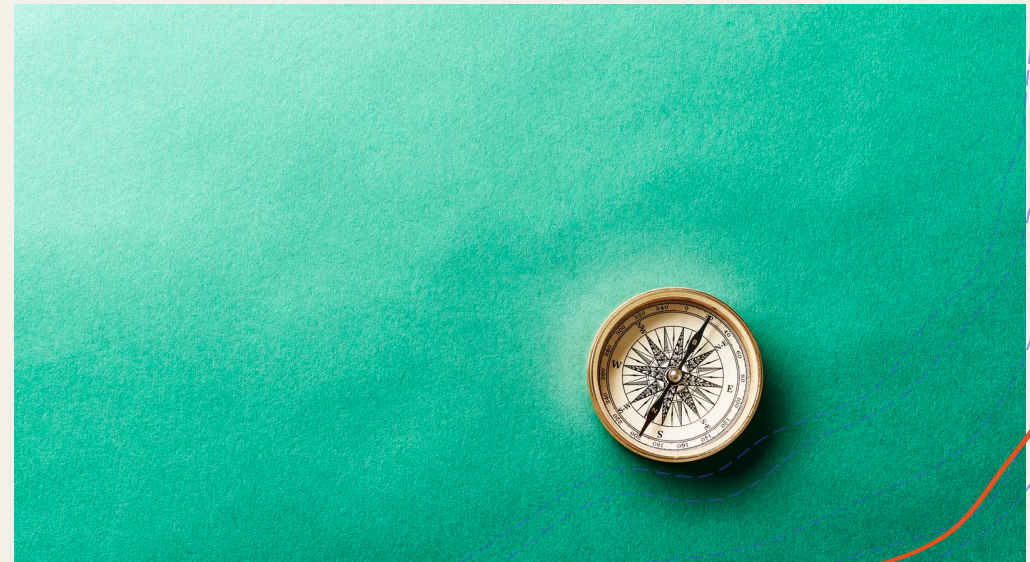
Presented by:

Betsy Mayotte  
President  
The Institute of  
Student Advisors



# Agenda

- + Background
- + Biden/Harris Debt Relief
- + PSLF Waiver
- + Income Driven Plan Waiver
- + Strategy
- + Resources



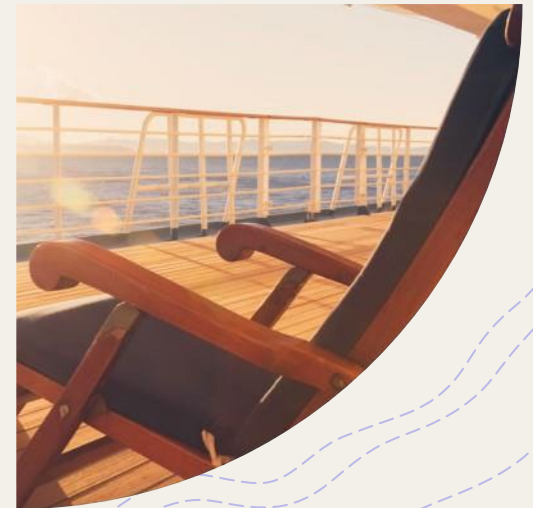


# Background

Why now for the waivers?  
Why are they only temporary?  
Are they at risk for reversal?



# One-Time Student Loan Debt Relief



# Basic Eligibility

- All Department of Education held loans
  - All Federal Direct Loans
    - Stafford
    - Graduate Plus
    - Parent Plus
    - Consolidation
  - ED held FFEL and Perkins loans
  - Defaulted loans
  - FFEL or Perkins consolidated or applied for consolidation prior to September 29<sup>th</sup>, 2022

+ If the loan was eligible for the COVID pause, it's eligible for the debt relief

# Income Requirements and Amounts

## Income Requirements

- + Adjusted gross income (AGI) of no more than \$125K for years 2020 OR 2021 for a single borrower or married filing separately
- + AGI of no more than \$250K for married filing jointly or head of household for years 2020 OR 2021
- + Dependent students who were in school between July 1, 2021, and June 30, 2022 will be qualified based on parental income

## Amounts

- + Up to \$10K for all eligible borrowers
- + Up to \$20K for borrowers who received a Pell Grant at any time
  - + Pell grants can be seen at [www.studentaid.gov](http://www.studentaid.gov) if awarded after 1994
- + No refunds if you owe less than your forgiveness amount\*
- + Eligibility is per borrower not per family

# Refunds

- + If you paid during COVID and the loan was COVID pause eligible you can request a refund of the COVID payments
- + If you still have a balance, and you paid your loan below what you will get in forgiveness during COVID the refund will be automatic
- + If you paid your loan off during COVID you have to ask the servicer for the refund proactively
- + Loans not eligible for COVID are not eligible for refunds
- + Loans paid in full by consolidation aren't eligible for pre consolidation payment refunds
- + Loans paid in full by private loan refinancing could be





# Refund Example

George has all Direct Loans, which are eligible for the COVID pause. When the pause began March 13, 2020 he owed a total of \$23K. During the pause he paid \$6K bringing his balance down to \$17K. George received a Pell grant during his academic career, so he is eligible for \$20K in debt relief. Once it is applied, he will receive an automatic refund of \$3K



# Refund Example

Zeke has all Direct Loans, which are eligible for the COVID pause. When the pause began March 13, 2020 he owed a total of \$17K. During the pause he didn't make any payments. Zeke received a Pell grant during his academic career, so he is eligible for \$20K in debt relief. Once it is applied, he will have a zero balance but will not receive a refund

# Application

## Basic Application



<https://static.politico.com/65/73/9fee725c487a8479db327da6cc39/loan-debt-relief-application-form-10022022-002.pdf?source=email>



**8 million won't have to apply at all**

Will receive an email and given the option to opt out



**Application should be live in coming days/weeks**

**Deadline to apply is December 31, 2023**




**Goal is to apply forgiveness before repayment restart for those that apply before mid-November**



**[www.studentaid.gov](http://www.studentaid.gov) to sign up for email alerts when application is live**

## Student Loan Debt Relief Income Verification

 Action Required

# Verification

### You've Been Selected to Provide Your Income Information

To process your Federal Student Loan Debt Relief Application, we need to verify that your income meets the eligibility requirements for debt relief.

If you're a parent of dependent student who was enrolled in school between July 1, 2021 and June 30, 2022, your child's eligibility for debt relief is based on your income. Upload your income documentation so we can verify that you (the parent) meet the income requirements.

**The deadline to submit documentation is March 31, 2024.**

### Upload your Income Documentation

To verify your income, you need to upload ONE of the following documents:

- IRS Form 1040 (tax return) from 2020 or 2021
- IRS Tax Return Transcript from 2020 or 2021
- IRS Verification of Non-filing letter from 2020 or 2021 (if you didn't file federal taxes)

[Tips on locating your IRS documents >](#)

### Loan Debt Relief Application Details

Date Submitted

10/23/2022

Name

John A. Smith

Email

john.smith@email.com

Phone Number

(444) 444-4444

*This information reflects the details submitted in your Debt Relief Application or Parent Income Form and might not match the information in your [Account Settings](#).*

Upload Document

# How Forgiveness Will Be Applied

For borrowers with multiple loans, ED will apply the relief in the following order:

- Defaulted ED-held loans
- Defaulted commercial FFEL Program loans
- Non-defaulted Direct Loan Program loans and FFEL Program loans held by ED
- Perkins Loans held by ED

If you have multiple loans in a program type (e.g., multiple Direct Loan Program loans), the ED will:

- Apply relief to loans with highest statutory interest rate.
- If interest rates are the same, apply to unsubsidized loans prior to subsidized loans.
- If interest rate and subsidy status are the same, apply to the most recent loan.
- If interest rate, subsidy status, and disbursement date are the same, apply to the loan with the lowest combined principal and interest balance.

- Remaining balances are re-amortized

- The amount will not be taxed as income federally or in Massachusetts



What about all of the lawsuits  
I keep hearing about?

Should I be worried?



# PSLF Temporary Waiver

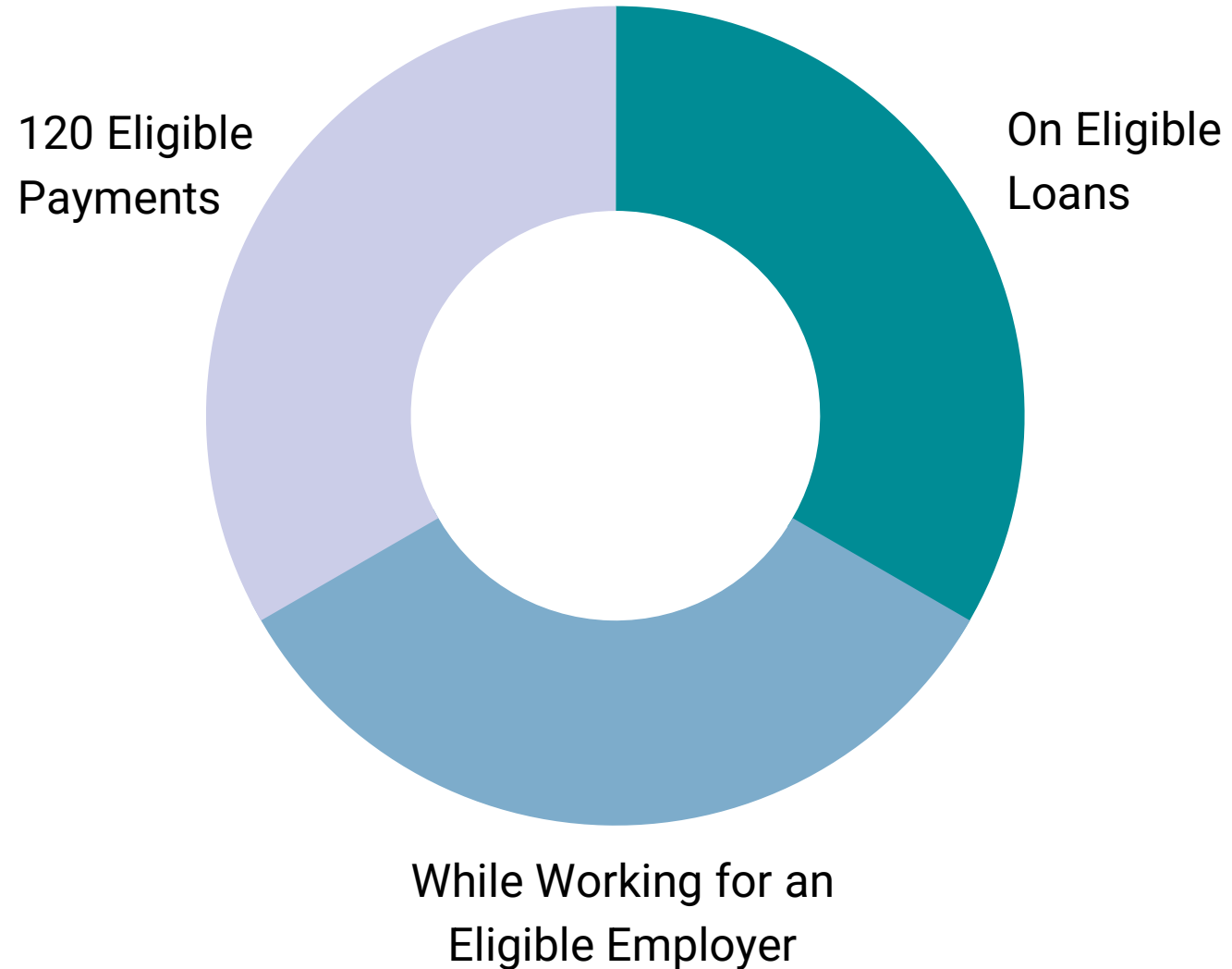
Hurry! Deadline is October 31<sup>st</sup>!



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# To Obtain Forgiveness Under Public Service Loan Forgiveness

All of These  
At the Same  
Time



# Traditional PSLF Rules

## Eligible Loan

- + Any Federal Direct Loan made at any time
  - + Stafford
  - + Graduate Plus
  - + Parent Plus
  - + Consolidation

## Eligible Payment

- + On time
- + Under a ten-year standard or income driven repayment plan
- + On a Direct Loan
- + While working eligible employment
- + Must be made after October 1, 2007
- + Pre consolidation payments do not count
- + Payments under default do not count

## Eligible Employment

- + Full time employee for a:
  - + Government employer
  - + 501c3 non-profit
  - + Some other non-profits
- + Can also work at least 30 hours per week total for multiple eligible employers
- + Must be direct employee



# 10/6/2021

## Announcement

- + The following are temporary exceptions:
  - + Payments made under the FFEL, Perkins or prior to consolidation will be counted
    - + Does not apply to periods of default
    - + Does not apply to Parent PLUS
      - + Unless consolidated with loans taken out for the parent borrowers' own education
  - + Counted even if past due or short payments
  - + All payment plans count
  - + Some periods of deferment and forbearance will count, but not until later in the year
  - + Periods counted under Teacher Loan Forgiveness will count
  - + Review will be done automatically
  - + They are looking at months in repayment status only, nothing else



HEADLINE  
10/6/2021

# Announcement

- + Must consolidate ineligible loans into the Direct Loan program and have at least one approved employment certification by October 31, 2022 to take advantage
- + Must still be working for an eligible employer for these months
- + Any payments made over 120 after the consolidation will be refunded
- + All prior denied applications for forgiveness will be reviewed
- + Borrower does not need to have been working for an eligible employer at the time of forgiveness application during waiver period
- + Should receive letter from the ED in a month or two, FedLoans will reflect updated count by March



# 10/6/2021 Announcement

- + The following are temporary exceptions:
  - + Consolidation will not reset the forgiveness count
  - + If the loans have different payment counts, the consolidation will be assigned the higher count
  - + If the loan was consolidated more than once all prior periods of repayment status will be counted



# What to Expect



- + Two phases of review
  - + Initial FedLoan/MOHELA review likely won't have the correct count
  - + Federal review will include all periods of repayment
- + Initial consolidation will show a count of zero
  - + Will update once review is complete
- + Process can take several months
- + Reconsideration process available for appeals





**ONE TIME ONLY**

# Income Driven Plan Waiver

One Time Adjustment on All  
ED Held Loans

# Eligible Loans

All federally held

Stafford

Graduate Plus

Parent Plus (?)

Includes consolidated FFEL and Perkins

Must consolidate by January, 2023\*

If it was eligible for the  
COVID pause, it's  
eligible for this waiver

# Traditional IDR Rules

- Payments are based on income and family size
- Must apply annually
- After 20/25 years on the plan balance is forgiven
- Consolidation resets forgiveness count
- Plans include:
  - “Old” Income Based Repayment (IBR)
  - “New” Income Based Repayment
  - Pay As You Earn (PAYE)
  - Revised Pay As You Earn (REPAYE)
  - Income Contingent Repayment (ICR)

# IDR Waiver

- + Adjustment will give IDR credit to all payments regardless of payment plan
- + Unclear how far back they will go
- + Could result in immediate forgiveness if loans have been in repayment 20/25 years
- + Consolidation will NOT reset count
- + Consolidation of loans with different counts will receive highest count





# IDR Waiver

## Additional Benefits

- + Adjustment will also include:
- + any months in which you had time in a repayment status, regardless of the payments made, loan type, or repayment plan;
- + 12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance toward IDR and PSLF forgiveness;
- + months spent in deferment (with the exception of in-school deferment) prior to 2013; and
- + any time in repayment prior to consolidation on consolidated loans.

## Does Not Include

- + Most payments on defaulted loans
- + Periods of bankruptcy forbearance
- + Periods of in school deferment
- + Payments made on private loans, state loans, etc
- + Periods of deferment after 2013 other than economic hardship deferment
- + Periods after the adjustment is made
  - + You will need to get on an IDR plan to accrue additional payments

# Timing

- + Some pieces will be implemented this fall
- + Most adjustments won't occur until next summer
- + If you must consolidate you must do so before they adjust your account
- + No application - it will just happen



A close-up photograph of a chessboard with a king piece in sharp focus in the foreground. Other pieces are blurred in the background. The board has a checkered pattern of light and dark squares. The lighting is warm, creating soft shadows. There are decorative white dashed lines in the top left and bottom right corners, and a solid orange line in the bottom right corner.

# Strategy

Which program to pursue

# Which Program to Pursue

You can pursue all three programs at the same time

Exception is consolidating FFEL or Perkins now will disqualify the loans from the broad debt relief

Name of the game is NOT forgiveness. It's paying the least amount over time.



## Studentaid.gov

PSLF Help Tool

Loan Simulator tool

Consolidation Application

Basic Loan Information

Sign up for debt relief application availability

## www.freestudentloanadvice.org

Plain English information about all things student loans

Contact page to ask questions via email

Updates to programs

Always free!

## Other Links

<https://studentaid.gov/debt-relief-announcement/one-time-cancellation>

<https://studentaid.gov/announcement-s-events/idr-account-adjustment>

# Resources



**Thank You**