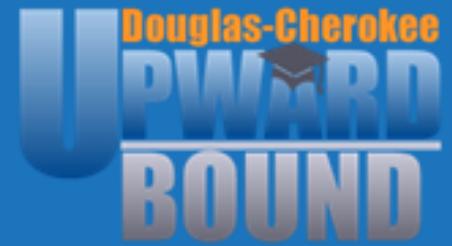




F.A.Q. Student Loan Forgiveness



September 2022 | Alumni Information | Last Updated 9/30/2022

Student Loan Forgiveness 2022

President Biden revealed his long-anticipated student loan forgiveness plan in August 2022.

This plan includes \$10,000 in loan forgiveness for individual federal borrowers earning less than \$125,000 annually- and households earning less than \$250,000- as well as \$20,000 in forgiveness for Pell Grant recipients, according to the White House. It would erase an estimated \$300 billion in student debt.

This plan also includes changes to the federal income-driven repayment system.

Deadline Information

Student Loan Forgiveness

OCTOBER 2022

In early October, student loan forgiveness applications open.

To be notified when the process has officially commenced, borrowers should sign up at the Department of Education's subscription page.

JAN. 1ST, 2023

Regular student loan payments will resume after a 3-year moratorium.

Interest will begin accruing again on borrowers' remaining balances.

NOV. 15TH, 2022

Apply for student loan forgiveness by November 15 in order to receive debt cancellation by the time the payment pause expires on December 31, 2022.

The Department of Education expects a 4-6 week turnaround for forgiveness.

DEC. 31ST, 2023

The final deadline to apply for student loan forgiveness.

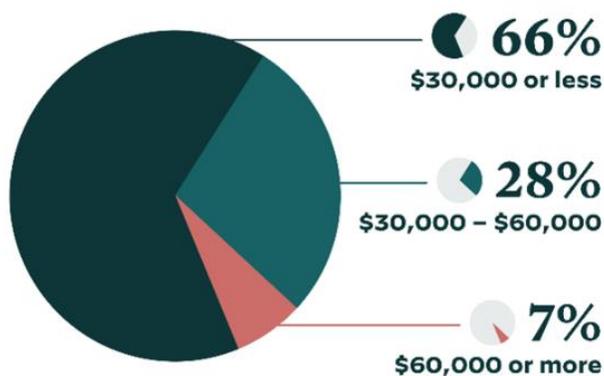
What We Know So Far

President Biden’s announcement to forgive federal student loan debt (up to \$20,000 for Pell Grant recipients and up to \$10,000 for others who qualify) is leaving many of us with unanswered questions, and some of the details won’t be clear for weeks...perhaps even months.

This action also extends the pause on monthly student loan payments, which means borrowers won’t have to resume payments until at least January, and provides details on a new proposal to create a more affordable income-driven repayment plan.

We know that you are left with tons of questions about the cancellation program. Who is eligible? Do you have to apply? We have done a deep dive and here is some information that we currently have.

Nearly All Pell Grant Recipients Come From Families With Incomes of \$60,000 or Less



Distribution of Pell Grant recipients by income, 2019 – 2020

Numbers do not add to 100 due to rounding
Source: U.S. Dept of Education



Who Qualifies for Loan Cancellation?

Individuals who are single and earn under \$125,000 will qualify for the \$10,000 debt cancellation. If you’re married and file your taxes jointly or are “head of household”, you qualify if your income is under \$250,000.

Eligibility will be based on your adjusted gross income. Income figures from either 2020 or 2021 will determine if you are eligible.

If you received a Pell Grant and meet these income requirements, you could qualify for an extra \$10,000 in cancellation.

ONLY LOANS DISBURSED BY JUNE 30TH OF THIS YEAR ARE ELIGIBLE FOR RELIEF.

Pell Grant Information

There is a good chance you received one as part of your financial aid package while in college. If you are unsure, check your account on studentaid.gov. On the main page of your account, there’s a section titled “My Aid”.

I only have graduate school debt, but I got a Pell Grant when I was an undergraduate. Am I eligible for the extra \$10,000? YES.

I had a Pell Grant for only one year. Am I eligible for the extra \$10,000? YES.

I qualified for only a partial Pell Grant. Am I eligible for the extra \$10,000? YES.

Which Type of Debt Qualify?

The vast majority will be eligible for the forgiveness based on their loan type because their debt is under what is called the William D. Ford Federal Direct Loan Program. That includes Direct Stafford Loans, and all Direct Subsidized and Unsubsidized federal student loans. Under the Direct program, Parent Plus and Grad Loans are also eligible for the relief.

Federal Family Education Loans

As of September 30th, there has been a significant reversal that will affect many student loan borrowers. The U.S. Department of Education has quietly changed its guidance around who qualifies for the student debt relief plan.

At the center of this change are borrowers who took out federal student loans many years ago with Perkins and Federal Family Education Loans. FFEL loans, issued and managed by private banks but guaranteed by the federal government, were once the main source of the federal student aid program until the FFEL ended in 2010.

Until September 30th, the department's own website advised these borrowers to consolidate these loans into federal Direct Loans so they could qualify for relief under the debt cancellation program.

However, they have now changed the language. The guidance now says, "borrowers with federal student loans not held by ED cannot obtain one-time relief by consolidating these loans into Direct Loans."

It's unclear why the department reversed its decisions on allowing FFEL borrowers with commercially-held loans to consolidate and then qualify for debt relief. It may be that the policy changed out of concern that private banks that manage old FFEL loans could potentially file lawsuits to stop the debt relief, arguing that it would cause them financial harm.

Rapid Fire Questions

I was a student this year. Do I qualify?

Yes. But if you were a dependent during the 2021-2022 school year, eligibility depends on parental income, not your own. If your status changed in the middle of the year-say, because you graduated- the department has data to recognize that change. If they don't have the data, there will be a process by which you can prove your change in status.

When is the loan cutoff for cancelation?

Student loans taken out after June 30, 2022 won't be included in the relief.

Are Parent Loans eligible?

Yes. The federal Parent Plus Loans are eligible.

Are graduate student loans eligible?

Yes. Plus loans are also available for graduate students, and these, too, are eligible.

I didn't finish my degree. Does that disqualify me?

No.

What the first thing I need to do if I qualify?

Start by making sure that your loan servicer knows how to find you, so that you'll be able to receive any guidance it provides and follow any instructions that it issues. Check that your postal address, your email address and your mobile phone number are listed accurately. If you don't know who your servicer is, consult the Department of Education's "Who is my loan servicer?" web page for instructions.



How do I apply for student loan forgiveness? Or does it happen automatically?

It depends. If you're already enrolled in some kind of income-driven repayment plan and have submitted your most recent tax return to certify that income, your loan servicer and the Education Department know how much you earn and you should not need to do anything else. Still, keep any eye out for guidance from your servicer. Close to eight million borrowers "may" be eligible to get this automatic relief, according to the department.

For everyone else, the department intends to have a "simple" application by early October. You can sign up to receive an alert when it is ready. It's fine to apply even if you think the department has your latest tax information.

The department will stop taking application on December 31, 2023.

When will loan forgiveness start?

Once you apply, it should be no more than six weeks until your balance falls by whatever amount you're eligible for.

A tip: The payment pause that has been in effect since 2020 is supposed to expire at the end of the year. So, you should have an application in by early November to get your relief before the bills start coming again.

How can I be sure that the cancellation has happened?

Watch for messages from your loan servicer and be diligent. Given how many millions of people are involved and that billions of dollars are at stake, there are bound to be hiccups. If you get a message saying that something on your account has changed, take a screenshot and print it out just in case it somehow changes later.

Also keep an eye on your credit report to make sure that your loan servicer is reporting correctly.

Will the loan forgiveness trigger taxes?

Student loan forgiveness won't trigger a federal tax bill due to the American Rescue Plan of 2021 which made student loan forgiveness tax free through 2025- and that law covers Biden's forgiveness.

You may, however, still be on the hook for state levies.

Some states automatically conform to federal rules, but others may count the forgiven balance as income, meaning it's still possible you'll have a state bill. The amount "may be equivalent of a few student loan payments."

Arkansas, Hawaii, Idaho, Kentucky, Massachusetts, Minnesota, Mississippi, New York, Pennsylvania, South Carolina, Virginia, West Virginia, and Wisconsin are the states who could treat the student loan forgiveness initiative as taxable income.

I have more than \$10,000 in debt. When and how will my monthly payment amount be adjusted?

Payments will be recalculated. Specifics of this have not been released yet, but we can make a guess based on what is possible now.

When borrowers pay a solid chunk of debt and their balance declines, they can ask their servicer to recalculate their payments over the remaining loan term, resulting in a lower monthly payment. If the \$10,000 in forgiveness doesn't dent into a borrower's balance, the payments may stay the same. Borrowers already enrolled in income-driven plans, however, generally won't see their payments change- even if a portion of their debt is canceled. This is because they make payments based on their income and household size.

Repayment Options

There are several repayment options to consider, each with different eligibility rules and conditions. In many cases, struggling borrowers will probably want to opt for an income-driven repayment plan, where the payment amount is tied to your income and can be as low as \$0. After you make payments for a set period of years, whatever balance remains is forgiven by the federal government.

Other repayment plans may better suit your circumstances, and they can sometimes have lower payment amounts. Those include the standard (with fixed payments), graduate (your payments rise), and extended (you pay over a long period of time) repayment plans.

Options that pause payments altogether should generally be used only as a last resort: Requesting a deferment or forbearance will temporarily put payments on hold, but there can be significant added costs in the long run. With forbearance payments stop but interest still accrues. If the interest is not paid, it's added to the loan's principal balance. Deferment is similar, but subsidized loans- which generally have slightly better terms-won't accrue interest while they're paused.

If you still cannot afford to make payments, call your servicer, who can assist with enrolling you into a more affordable repayment program, including income-driven repayment. If you take no action, you will fall into default. It often takes a year or so for an account to move to collections. At that point, the federal government can take your tax refund, up to 15% of your paycheck or part of your Social Security benefits.

The new status also means defaulted borrowers are no longer cut off from receiving federal student aid, including Pell grants.

Other Changes

In April, the Education Department said it would make fixes to address past inaccuracies that would help borrowers enrolled in Income Driven Repayment Plans, including a one-time revision that would make more payments count toward loan forgiveness. That includes:

- Any months in which borrowers made payments will count toward Income Driven Repayment, regardless of the repayment plan
- All payments made on loans that were later consolidated will count
- Months spent in deferment before 2013 (with the exception of school deferment) will count
- Forbearance of more than 12 consecutive months and 36 cumulative months will also count toward forgiveness, under both Income Driven Repayment plan and the Public Service Loan Forgiveness plan.

In 2023, the government will begin displaying payment counts on studentaid.gov so borrowers can view their progress in their own accounts.

What's Next?

Right now, you don't need to do anything!

The Department of Education will launch a short online application for student debt relief. You won't need to upload any supporting documents or use your FSA ID to submit your application.

The Department of Education will contact you when the sign-up period for student debt relief opens. They will continue to send regular updates with more details over the coming days, as we near the application period which will begin in October 2022 and last through December 2023

Once you submit your application, they will review it, determine your eligibility for debt relief, and work with your loan servicer(s) to process your relief. They will contact you if they need any more information from you.

Beware of Scams

You might be contacted by a company saying they will help you get loan discharge, forgiveness, cancellation, or debt relief for a fee. You **never** have to pay for help with your federal student aid. Make sure you work only with the U.S. Department of Education and their loan servicers, and never reveal your personal information or account passwords to anyone.

The Department of Education's emails to you come from noreply@studentaid.gov, noreply@debtrelief.studentaid.gov, or ed.gov@public.govdelivery.com

You can report scam attempts to the Federal Trade Commission by calling 1-877-382-4357 or visit reportfraud.ftc.gov.

Sources:

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