

NEWS BRIEF

Provided by: National Insurance Services

DOE Provides More Information on Student Loan Forgiveness Plan, Issues FAQ

On Aug. 24, 2022, the Biden-Harris administration [announced](#) a student debt relief plan that provides a one-time student loan debt cancellation targeted at low- and middle-income families.

The U.S. Department of Education (DOE) will provide up to \$10,000 in debt relief for non-Pell Grant recipients and up to \$20,000 for Pell Grant recipients, according to the plan. Borrowers making less than \$125,000 per year or less than \$250,000 per year for married couples or heads of households are eligible for debt relief. The plan extends the moratorium on federal student loan payments for the final time through Dec. 31, 2022, according to the DOE. It also proposes a rule to create a new income-driven repayment plan to reduce future monthly payments for lower- and middle-income borrowers.

Updates From the DOE

The DOE recently provided [more information](#) about the one-time student loan debt relief, which includes an [FAQ](#). Importantly, the department provided information regarding what eligible borrowers must do to receive loan forgiveness. Almost 8 million borrowers will be eligible to receive student loan debt relief automatically because their income data is already available to the DOE.

The DOE will provide a simple application for individuals whose income data is not available to the department. The loan forgiveness application will be available online by early October 2022. However, the DOE encourages all eligible borrowers to apply. Once borrowers complete the application, they can expect

to receive debt relief within four to six weeks, according to the department.

The DOE will share updates on the federal student aid [website](#) and send borrowers an email when the application is available. Borrowers will have until Dec. 31, 2023, to submit their application. The department suggests that borrowers update their contact information on their student loan account on [StudentAid.gov](#) to ensure they receive updates. If borrowers do not have an account, they can [create one](#) to help manage their loans. The DOE encourages borrowers to also update their contact information with their loan servicer.

Additionally, the DOE explained that the rule to make student loan payments more manageable for current and future borrowers would require borrowers to pay no more than 5% of their discretionary income monthly on undergraduate loans, down from 10% under the most recent income-driven repayment plan. The plan also raises the amount of income that's considered nondiscretionary, forgives loan balances after 10 years of payments—instead of 20 years—and covers borrowers' unpaid monthly interest.



What's Next?

The DOE will announce further details on how borrowers can claim this relief in the weeks ahead, including sharing when the application is available. The debt relief plan, however, will likely face legal challenges, as there are unresolved questions regarding the DOE's authority to cancel student loan debt. As a result, the timing of any debt relief may be uncertain. Additionally, most states have announced that forgiven student loans will not be taxed, but the relief may be subject to state income taxes in some states.

As eligible borrowers are likely to have questions regarding the plan and whether their loans qualify for forgiveness, they are encouraged to review the DOE's recently published [FAQ](#). Borrowers are also encouraged to visit the DOE's [website](#) and [sign up to receive email and text updates](#) for the latest information.

We will keep you apprised of any notable updates from the current administration.