

NEWS BRIEF

Provided by: National Insurance Services

DOE Narrows Student Loan Forgiveness Eligibility, Excluding Many Borrowers From Relief

The U.S. Department of Education (DOE) recently [revised](#) its earlier guidance on borrower eligibility for student loan debt relief, stating that as of Sept. 29, 2022, borrowers with federal student loans that are not held by the department will not be entitled to one-time debt relief by consolidating those loans into direct loans. According to NPR, this change could impact approximately 800,000 borrowers. Even more borrowers could receive less relief due to the change than they were entitled to under the previous guidance.

According to the department's updated guidance, borrowers with Federal Family Education Loan (FFEL) Program loans or Perkins loans not held by the DOE who have applied to consolidate them into the Direct Loan Program prior to Sept. 29, 2022, are eligible for debt relief through the Direct Loan Program. The department is currently assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by the DOE, including FFEL Program loans and Perkins loans, and is discussing this with private lenders.

Overview of the Student Debt Relief Plan

The student debt relief plan 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.

Legal Challenges to Student Debt Relief Plan

The Biden-Harris administration now faces at least three lawsuits challenging the student debt relief plan. These lawsuits argue that the student debt relief plan is unconstitutional and would harm state revenue. According to legal experts, the administration's decisions to narrow borrower eligibility for student loan debt relief could help stave off legal challenges to the debt relief plan, especially from private banks that manage FFEL Program loans.

What's Next?

The DOE will announce further details on how borrowers can claim student loan relief in the weeks ahead. According to the department, the application will be available in early October. However, due to legal challenges, the timing of any debt relief may be uncertain.

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. Concerned borrowers can contact their loan servicer to confirm whether they will be impacted by the DOE's recent eligibility change.

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

