

HIGHER EDUCATION INFORMATION MEMO

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Biden Administration's Student Debt Relief Plan

Background on the Plan

The Biden Administration recently announced a Student Debt Relief Plan (Plan) that will provide one-time federal student loan debt relief to eligible borrowers. After multiple states and the Pacific Legal Foundation (PLF) filed lawsuits to stop the Plan, the Education Department modified the Plan to exclude certain loan types and allow individuals to “opt-out.” Beginning in October 2022, through the end of December 2023, individuals will be able to submit an online application for student debt relief.

Eligibility

The recently issued [FAQs](#) provide that private (non-federal) loans, federal loans that were consolidated into private loans, and privately held federal student loans, such as the Federal Family Education Loans and Perkins Loans, are not eligible for forgiveness under the Plan.¹

Borrowers are eligible for the Plan if they have a federal loan (including loans held by the U.S. Department of Education), and an annual income under \$125,000 or a household income under \$250,000.² The Plan will cancel up to \$20,000 for borrowers who received a Pell Grant and up to \$10,000 for borrowers who did not receive a Pell Grant.³ Furthermore, borrowers with outstanding federal loan balances that equate to less than the total amount that they are eligible to have forgiven will be eligible to have their loans forgiven entirely.

Challenges to the Plan

The PLF filed the first lawsuit challenging the Administration’s authority to forgive student loans in the absence of congressional authorization. A U.S. District Court denied PLF’s motions for a temporary restraining order and preliminary injunction after Education Department specified that borrowers would be able to “opt-out” of the Plan.

Several states have also challenged the Plan in the District Court for the Eastern District of Missouri.⁴ These states sought an immediate injunction pausing student debt relief and argued that the Plan will harm state tax revenues, student loan processors, and state investment boards handling public pensions. The lawsuit also asked the court to determine whether the Administration has the legal authority for the Plan; that court is yet to rule.

1 The Education Department is still “assessing whether there are alternative pathways” to provide relief to borrowers with federal loans held by private lenders.

2 Dependent students’ income will be based on their parental income.

3 Most borrowers can determine if they received a Pell Grant at StudentAid.gov. Pell Grant information from before 1994 is not accessible online. However, the Department of Education maintains this information and will check its records when processing applications in order to determine the appropriate forgiveness amount.

4 These states include Arkansas, Iowa, Kansas, Missouri, Nebraska, and South Carolina. Arizona also filed suit separately.

Current status of the Plan

Once the application opens, individuals may apply online. The Education Department will determine individual eligibility and work with loan servicers directly to process the debt relief.⁵

Borrowers can prepare by (1) creating a StudentAid.gov account or updating existing account contact information, (2) signing up for updates (via email or text message), and (3) by ensuring that their loan servicer also has current contact information. To be notified when the Plan application opens, borrowers can sign up for email updates [here](#).

What is the role of IHE

Colleges and universities do not play any direct role in administration of the Plan. While some institutions may wish to provide basic information to students, parents and even alumni, including the extra benefit for Pell Grant recipients, most borrowers should simply be directed to the Department of Education (see below) for answers to their questions.

Where to go or direct students for more information

For more information on the Student Debt Relief Plan, please visit the Office of Federal Student Aid's [One-Time Student Loan Debt Relief](#) page.

If you have any questions, please contact [Seth Gilbertson](#), [Allison Contrera](#) or any attorney in Bond's [higher education practice](#) or the Bond attorney with whom you are regularly in contact.

⁵ Borrowers can identify their loan servicer at StudentAid.gov.

