

NEWS BRIEF

Provided by: Central PA Benefit Solutions

President Biden Announces Plan to Cancel \$10,000 in Student Loan Debt for Most Borrowers, Extends Pause on Payments

President Joe Biden recently [announced](#) a plan to cancel \$10,000 in student loan debt for borrowers making less than \$125,000 per year, or \$250,000 per year for married couples or heads of households, as well as extend the moratorium on federal student loan payments for the final time through Dec. 31, 2022. According to the plan, Pell Grants recipients will receive up to \$20,000 in student loan forgiveness. This plan will likely erase student loan debt entirely for millions of Americans and eliminate at least half of such debt for millions more. The Biden administration's plan also caps payments of undergraduate federal loans at 5% of borrowers' monthly incomes—half the rate most borrowers now pay. According to a U.S. Department of Education (DOE) analysis, the average undergraduate student graduates with approximately \$25,000 in debt.

The administration's plan also aims to fix the Public Service Loan Forgiveness program by proposing a rule that borrowers who have worked at a nonprofit, in the military or in federal, state, tribal or local government receive appropriate credit toward loan forgiveness. Additionally, the plan takes steps to reduce the cost of college education for students and their families and hold institutions accountable for rising costs, especially when failing to deliver good outcomes to students. The DOE has already reestablished the Office of Federal Student Aid's enforcement unit and will propose to reinstate and improve a rule to hold career programs accountable for leaving graduates with unaffordable debt.

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"My administration is announcing a plan to give working- and middle-class families breathing room as they prepare to resume federal student loan payments in January 2023."

- *President Biden*

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How Student Loans Impact Americans

According to the White House, student loan debt in the United States now totals \$1.6 trillion, with approximately 45 million Americans carrying some student loan debt. Approximately one-third of Americans with student loan debt owe less than \$10,000 and more than half owe less than \$20,000, according to the Education Data Initiative. Middle-class borrowers struggle with high monthly payments and ballooning balances, making it difficult for them to build wealth. Student loan debt can be even more burdensome to the most vulnerable borrowers. Biden's announcement to extend the pause of student loan payments came days before millions of Americans were to find out when their next student loan payments were due.



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What's Next?

The DOE will be announcing further details on how borrowers can claim this relief in the weeks ahead. According to the White House, the application for debt relief will be available no later than when the pause on federal student loan repayments terminates at the end of the year. However, the Biden administration's plan is likely to face legal challenges, as there are unresolved questions regarding the DOE's authority to cancel student loan debt, prompting the department to publish a memorandum on the issue. As such, the timing of any debt relief may be uncertain, so concerned individuals should monitor the situation closely.

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