

Cancellation of Debt & Other Changes to the Federal Student Loan System that Impact Older Borrowers

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Odette Williamson, National Consumer Law Center

The Biden-Harris administration and the U.S. Department of Education recently announced a number of initiatives to ease the debt load of federal student loan borrowers. This plan includes cancellation of up to \$20,000 in student loan debt, an extension of the payment pause, and proposed changes to the income-driven repayment plan to make monthly payments more affordable. In addition, temporary changes to the Public Service Loan Forgiveness program, set to expire on October 31, 2022, make it easier for borrowers to qualify for the program.

Student loan debt is one of the biggest contributors to the rise in the amount of debt held by older adults. According to [AARP](#), in 2020 8.4 million borrowers age 50 and older held 22% of the total federal student debt load, amounting to \$336.1 billion. The average amount of student loan debt carried by families headed by adults 50 or older was \$36,421 in 2019. This includes older borrowers who took out loans for their own education or to pay for a family member's education. Default on student loans can result in aggressive collection actions, including the garnishment of wages and Social Security benefits, and an accumulation of fees and interest. Older adults consistently [report](#) difficulty managing their student loan debt while trying to stay on track to save for retirement or pay for other necessary expenses on reduced retirement incomes. This results in financial instability, especially for low-income older adults and those on fixed-incomes.

Below is a summary of the recent announcements and upcoming important deadlines for cancellation of debt or other relief for borrowers with federal student loans. Advocates can use this information to help older consumers navigate their student loan debt in the context of these new programs and relief.

Student Loan Payment Pause Extended

Since the pandemic began in March 2020, the federal government has [suspended student loan payments, stopped collection on defaulted loans, and set interest rates temporarily at 0% for most federal student loans](#). This means most borrowers have not been required to make loan payments and interest has not accrued over the last two years. The payment pause, set to expire in August, has been extended through December 31, 2022, with payments resuming in January 2023.

Cancellation of Student Loan Debt

The Department of Education will cancel up to \$10,000 in federal student loan debt for most borrowers and up to \$20,000 for Pell Grant recipients. Cancellation applies to loans taken out before July 1, 2022. A Direct PLUS Loan, commonly referred to as a Parent PLUS loan when made to a parent borrower to help pay for their child to attend college, and graduate loans are eligible for cancellation. Private student loans are not eligible for cancellation. Borrowers can see the type of loan they have, whether they received a Pell grant, and how much they owe on the loan by logging on to their account on [StudentAid.gov](#) and clicking the “view details” link on the My Aid box.

Borrowers are eligible for debt cancellation if their individual income is less than \$125,000 or \$250,000 (for married couples or heads of households). Once the process opens, borrowers may receive relief automatically if the Department of Education already has their income data—such as if the borrower filled out the FAFSA or an income-driven repayment application in the past two years. However, most borrowers will have to apply. The Department of Education will launch an application process, which should be available by early October. Eligible borrowers are advised to apply early (at least before November 15th) to cancel debt before the student loan payment pause expires at the end of the year. Once a borrower completes the application, they can expect cancellation within 4-6 weeks. Nevertheless, if borrowers miss this window and their student loan payments resume in January 2023, they have until the end of the year, December 31, 2023, to apply for cancellation. To be notified when the process has officially opened, the Department of Education created a [subscription page](#). NCLC's Student Loan Borrower Assistance Project has more information on [what borrowers need to know about cancellation](#).

Public Service Loan Forgiveness Program (PSLF)

The [Public Service Loan Forgiveness program](#) forgives the remaining balance on borrowers' federal student loans after 120 monthly payments while working full-time for federal, state, Tribal, or local governments, the military, or qualifying non-profits. Direct PLUS Loans are eligible for PSLF, but because Parent PLUS loans are not eligible for income-driven repayment plans, they have been excluded from this relief program.

The Department of Education made temporary changes to the program, which makes it easier for borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF. Importantly, the waiver counts pre-consolidation time, which makes it easier for borrowers to obtain PSLF relief for Federal Family Education Loan and Perkins loans (both of which are excluded from PSLF relief under the normal regulations). However, these borrowers must consolidate their loans to have them included within a PSLF discharge. In addition, these temporary changes also make PSLF relief available to **some** Parent PLUS borrowers (who were generally ineligible for PSLF because Parent PLUS loans are not eligible for income-driven payment plans). Although Parent PLUS borrowers are excluded from the waiver, they can consolidate their loans with Direct Loans that have accrued eligible time, and the new consolidation loan will be credited with time that would have otherwise been available to the Direct Loan.

These are time-limited changes that waive certain eligibility criteria in the PSLF program. These temporary changes expire on **October 31, 2022**. This is a hard deadline and applications after this deadline will not be eligible for the waiver. For more information on eligibility and requirements, go to [PSLF.gov](#).

Proposed Changes to the Income-based Repayment Plans

An income-driven repayment plan sets a borrower's monthly loan payment at an amount that is intended to be affordable based on income and family size. The Biden Administration has announced that it will soon propose a rule to create a new income-driven repayment plan that will reduce monthly payments further, at least for loans taken out to attend undergraduate programs.

The proposed plan would require borrowers to pay no more than 5% of their discretionary income monthly on undergraduate loans (down from 10% available under the most recent income-driven repayment plan guidelines); raise the amount of income that is considered non-discretionary income and therefore protected from repayment from 150% to 225% of federal poverty levels; and forgive loan balances after 10 years of payments, instead of 20 years, for borrowers who took out \$12,000 or less in loans. The proposed plan would also subsidize any unpaid monthly interest, so borrowers' loan balances will not grow as long as they make their monthly payments.

More Information

- [U.S. Department of Education](#)
 - » [Sudentaid.gov](#) to check federal student loan information and apply for PSLF, IDR, and other relief programs
 - » [Public Service Loan Forgiveness Program](#)
 - » [Student Loan Cancellation](#)
 - » [Subscription to the Department of Education Updates](#)
- [Student Loan Borrower Assistance Project \(SLBA\)](#)
 - » NCLC's Student Loan Borrower Assistance Project (SLBA) provides information about student loan rights and responsibilities for borrowers and advocates. SLBA also seeks to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable.
 - » See the [SLBA blog post](#) for tips and advice on accessing cancellation and other loan benefits.
- [NCLER Consumer Protection and Student Loan Trainings](#)

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

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