

Biden's Student Loan Forgiveness – Fact Sheet¹

1. What is forgiven:
 - a. \$10,000 in student loans for non-Pell grant recipients
 - b. \$20,000 in student loans for Pell grant recipients
2. Who Qualifies:
 - a. Individuals with income less than \$125,000
 - b. Married couples with income less than \$250,000
3. How do I receive loan forgiveness?
4. Is the forgiven loan taxable?
 - a. Federally – under the CARES Act, Biden's forgiven loans are not taxable federally.
 - b. State – Depends on the state; in California, the state does not conform to the Cares Act as it relates to Student Loan Forgiveness. However, under the American Rescue Plan Act of 2021, income on Federal income tax returns from student loan forgiveness is non-taxable through December 31, 2025.
5. Additional provisions:
 - a. Public Service loan forgiveness (PSLF) Program
 - i. Pslf.com
 - ii. Need to apply before October 31st.
 - iii. 10 years of payments before forgiveness
 - b. Income based payment system
 - i. Undergraduate loans, the income-based payment system reduces income payments from 10% of discretionary income per month, to 5% of discretionary income per month
 - ii. Increase the income that is considered non-discretionary and therefore is protected from repayment
 - iii. Forgive loan balances after 10 years of payments
 - iv. Cover the borrower's unpaid monthly interest - provides that no balance will increase due to unpaid monthly interest.
 - v. this relief is temporary and is set to end at the end of 2025, unless Congress extends it or makes it permanent.ⁱ
6. Authority
 - a. Higher Education Relief Opportunities for Students (HEROES) Act of 2003 - permits the Secretary of Education to waive or modify Federal student financial assistance program requirements to help students and their families or academic institutions affected by a war, other military operation, or ***national emergency***.
 - i. The HEROES Act authorizes the Secretary [of Education] to address the financial hardship arising out of the COVID-19 pandemic by reducing or canceling the principal balances of student loans or a broad class of borrowers.
7. Legal standings
 - a. There is currently a hold on President Biden's initiative due to a legal challenge by six Republican-led states - Arkansas, Iowa, Kansas, Missouri, Nebraska, South Carolina - claiming an overstep in authority by the Biden administration.
 - i. This case is currently on appeal and the Education Department cannot move forward with relief until a decision has been made in the courts.
 - ii. As of now the Supreme Court has rejected challenges to block Biden's student debt relief plan.

ⁱ Forbes, "5 Things Borrowers Should Know About Biden's \$25 Billion In Student Loan Forgiveness," June 14, 2022, <https://www.forbes.com/sites/adamminsky/2022/06/14/5-things-borrowers-should-know-about-bidens-25-billion-in-student-loan-forgiveness/?sh=4afdbd04f9cf>