

Student Loan Forgiveness – MSBO School Finance Committee

September 16, 2022

October 1, 2022: Student Loan Forgiveness Application – tentative release

The Biden administration announced last month a bold plan to enact broad student loan forgiveness for millions of borrowers through executive action.

The initiative will provide one-time relief of up to \$20,000 in student loan cancellation for qualifying borrowers who earn less than \$125,000 per year, or \$250,000 if they are married.

The DOE is currently developing a formal application that borrowers will have to submit to request loan forgiveness through the proposal.

Top administration officials have said that the application should be released by early October on StudentAid.gov it is assumed borrowers will have until December 31, 2023 to apply for forgiveness.

This is the new PSLF.gov dedicated website that was launched in August

https://www.whitehouse.gov/publicserviceloanforgiveness/?utm_source=www.pslf.gov

This site is maintained by the AFT and is one of the best sites, updated weekly, to answer FAQs regarding the administration's plan for student debt cancellation.

<https://forgivemystudentdebt.org/faq/>

October 31, 2022: Expiration of Limited PSLF Waiver

On October 6, 2021 the administration announced the Limited Public Service Loan Forgiveness (PSLF) Waiver, an initiative that temporarily relaxes the rules governing PSLF.

PSLF is a forgiveness program for borrowers who devote their careers to nonprofit or government work. Borrowers become eligible for federal student loan forgiveness after making 120 qualifying payments.

The original rules governing the PSLF program were strict, confusing, and poorly administered by the government and contracted loan servicers.

Under the Limited Waiver, rules governing “qualifying payments” have been significantly relaxed, allowing many prior loan periods (including some periods of deferment and forbearance) to count towards loan forgiveness.

The initiative is set to end on October 31. Borrowers MUST to take action by then, such as consolidating FFEL-program loans into a Direct loan, or submitting PSLF employment certification forms.

DOE a page explaining the Limited PSLF Waiver deadline that ends on October 31, 2022

<https://studentaid.gov/announcements-events/pslf-limited-waiver#what-happens-when-the-waiver-ends-on-oct-31-2022>

November 3, 2022: Hearing on Final Approval of Borrower Defense to Repayment Settlement

The administration and a class of student loan borrowers are completing a process to finalizing a settlement which will resolve a lawsuit.

There is a small window of time for borrowers who attended a list of covered schools to apply for relief through Borrower Defense to get at least some benefits from the Sweet settlement.

Borrowers who submit their application prior to November 3, 2022, which is the final court hearing on the “fairness” of the proposed settlement, would be considered “Post-Class Applicants.”

<https://studentaid.gov/announcements-events/sweet-settlement>

November 15, 2022: Tentative release of Student Loan Forgiveness Application

Borrowers will have up to a year to apply for the administration's student loan forgiveness initiative of up to \$20,000, however DOE officials are encouraging borrowers to submit their application before November 15, 2022. The anticipated processing time is four to six weeks, which would mean a borrower who submits a timely application should receive the loan forgiveness by the end of the year — which is when the student loan payment pause is now set to end.

December 31, 2022: End of Student Loan Pause

Part of the announcement of the administration's new student loan forgiveness plan last month was an extension of the ongoing student loan payment pause and interest freeze until years end. The White House and Education Department have stated this as the "final" extension of the payment pause. Borrowers should anticipate returning to repayment in January.

January 1, 2023: Anticipated Completion of IDR Account Adjustment

Last April, the administration announced another student loan relief and forgiveness initiative called the IDR Account Adjustment.

This initiative provided a one-time, retroactive "fix" through Income-Driven Repayment (IDR) programs, which allow for loan forgiveness after 20 or 25 years of repayment under an IDR plan.

Under the IDR Account Adjustment, the Education Department will be able to provide retroactive credit towards a borrower's IDR repayment term, including most periods of repayment as well as some periods of deferment and forbearance. Borrowers who already have government-held federal student loans, no action is necessary, as the DOE will be rolling out the initiative automatically starting this fall. For borrowers with commercially-held FFEL-program student loans, Direct loan consolidation may be necessary to benefit from this one-time relief.

If borrowers have commercially held FFEL loans they can only benefit from the IDR account adjustment if they consolidate before the DOE completes implementation of the changes, which is estimated to be no sooner than Jan. 1, 2023. There are indications that this deadline may be pushed out further, but to date the administration has not provided any formal update.

July 1, 2023: New IDR Plan and New PSLF Regulations

Finally, the administration is drafting new regulations governing key federal student loan programs to provide more lasting changes.

This includes updated PSLF regulations that will codify some, not all, elements of the Limited PLSF Waiver, as well as a more affordable IDR plan.

The new IDR plan that will reduce future monthly payments for lower- and middle-income borrowers. The proposed rule would protect more income from loan payments, cut in half the amount that borrowers have to pay each month on and cut down on interest accrual.

The regulations have not been finalized, and the process still needs to clear procedural hurdles before going into effect. The soonest the new regulations would be active would be on July 1, 2023.

I have also attached an email invite any district can share to let employees know of the upcoming Savi lead webinars. There is a website within the attachment where employees can register for an upcoming webinar.

If any district is looking to provide more support, I would be happy to schedule a call to review the Savi communication playbook to support ongoing PSFL awareness.

If you have any questions please do not hesitate to email or call.

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