

The Department of Education recently announced major changes regarding federal student loan repayment

The Department of Education announced on 11/22/22 an extension of the pause on student loan repayments, interest, and collections (previously due to expire on 12/31/22) as a result of the ongoing lawsuits. The additional extension allows time for the Supreme Court to review the lower-court orders that are currently preventing the Department of Education from granting debt relief to student loan borrowers.

Student loan repayments will resume 60 days after the Department of Education is permitted to implement the debt relief program or the litigation is resolved. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that.

For borrowers up to \$20,000 (for Pell Grant recipients) or up to \$10,000 (non-Pell Grant), if their annual federal income was below \$125,000 (individual or married, filing separately) or \$250,000 (married, filing jointly or head of household) in 2020 or 2021.

Please note that due to the pending lawsuits related to the Student Loan Debt Plan, there is a pause to the forgiveness application process. Please continue to reference the Department of Education's website for updates.

New income-driven repayment process with details to be announced later.

These changes could have a big impact on student borrowers and we encourage you to read the original [Department of Education announcement](#), as well as the important resources, dates, and frequently asked questions below.

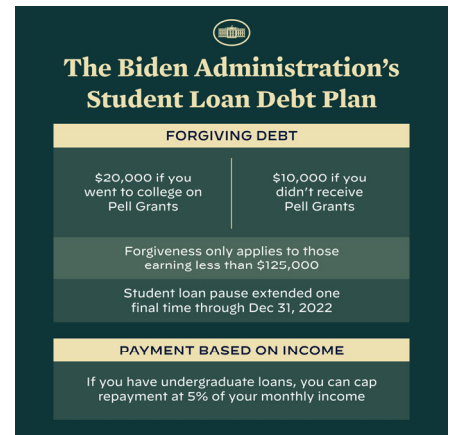


Image from Twitter: @POTUS

Resources

One-Time Student Loan Relief (Forgiveness)

Visit studentaid.gov/debt-relief-announcement/one-time-cancellation for qualification requirements and the steps borrowers must take to apply for debt relief. Please note that due to the pending lawsuits related to the Student Loan Debt Plan, there is a pause to the forgiveness application process. Please continue to reference the Department of Education's website for updates.



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Be sure to log into your account at StudentAid.gov (or create an account if you don't have one) and confirm your contact information is correct. This will help ensure you receive important communications.

Fresh Start for Federal Student Loan Borrowers in Default

Visit studentaid.gov/announcements-events/default-fresh-start for important information and updates on the Fresh Start relief program. This program gives borrowers the opportunity to, among other things, return their student loan(s) to a current status, stop collections, and arrange for affordable payments.

Frequently Asked Questions

Q Will all my previous student loans be reduced by \$20,000 or \$10,000?

A It depends on your annual federal income for 2020 or 2021 and the type of loan. In general, if you are a Pell Grant recipient and you filed taxes individually showing less than \$125,000 in income in 2020 or 2021, your loan will be reduced by \$20,000.

Q Are Perkins and Federal Family Education Loans (FFEL) eligible for forgiveness?

A Based on clarifications from the Department of Education made on 9/29/22, only Perkins and FFEL loans held by the Department of Education and consolidated into the Direct Loan Program before 9/29/22, are eligible for forgiveness.

Q What are the changes to the repayment process?

A The Department of Education is proposing a new income-driven repayment plan that protects more income for borrowers from 10% of income to 5%. Details will be announced on the [Department of Education/FSA website](https://www.ed.gov/department-of-education/fsa) as they become available.

Q When the restart occurs, will employers receive new orders?

A The Department of Education has consistently advised that they will issue new garnishment orders for student loan debts that go back into default.

Q If a borrower owes \$40,000 and qualifies for forgiveness for \$10,000, will they still owe \$30,000?

A Yes, borrowers will still have to pay back the remaining \$30,000. The borrower can, however, apply for the Fresh Start program.



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Q If a borrower owes \$8,000 and qualifies for forgiveness for \$10,000, will that wipe out the debt?

A Yes, this forgiveness will satisfy the debt.

Q How long will it take to get my forgiveness application processed?

A The Department of Education/FSA anticipates a four to six-week turnaround time once an application is submitted. Please note that due to the pending lawsuits related to the Student Loan Debt Plan, there is a pause to the forgiveness application process.

Q Will the forgiveness amount be taxed?

A Forgiveness will not be included as part of the borrower's federal taxable income. The American Rescue Plan Act in 2021 explicitly exempts student debt forgiven between 2021 and 2025. For state income taxes, it will be up to individual state law whether the borrower will be taxed on the forgiveness when filing their state income taxes. Borrowers should refer to the requirements of the state they filed their state income taxes with.

Q Who does a borrower call if they have questions related to the Fresh Start initiative?

A Borrowers can obtain information on the [Federal Student Aid website](https://www.federalstudentaid.gov) or can contact the Department of Education's Default Resolution Group at <https://myeddebt.ed.gov/borrower/#/sendemail> or call 1-800-621-3115 (TTY for the deaf or hard of hearing 1-877-825-9923).