



Who Stands to Benefit From Biden's Student Loan Backup Plan?

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The White House's "Plan B" for student debt consists of two parts that could benefit different Americans.

Keep on trying. That pretty much sums up President Joe Biden's approach when it comes to addressing student debt.

The president's first attempt to forgive student loans was struck down by the U.S. Supreme Court. However, his administration quickly rolled out a new strategy. But exactly who stands to benefit from Biden's student loan backup plan?

Biden's "Plan B"

Biden's "Plan B" consists of two main parts. First, the White House wants to forgive around \$39 billion in student loans. Second, it unveiled a new program -- the Saving on a Valuable Education (SAVE) Plan -- to help lower student loan payments.

The backup student loan forgiveness plan is actually a continuation of an action initiated in April 2022. The Department of Education found that there have been inaccuracies in counting student loan payments that qualify for forgiveness under existing regulations. It's now actively reaching out to borrowers who are eligible for student loan forgiveness.

The new SAVE Plan replaces the Revised Pay As You Earn (REPAYE) Plan that already existed. Individuals who are already on the REPAYE plan will be automatically enrolled in the SAVE Plan. Others can apply to be enrolled in the SAVE Plan now. Some parts of the SAVE Plan kick in this summer, while other additional benefits won't be effective until July 2024.

Who benefits

The Biden administration maintains that, under the Higher Education Act, borrowers who make payments meeting a specified threshold are automatically eligible to have the remaining unpaid portion of their student debt forgiven. This threshold is either 240 or 300 monthly payments on an income-driven repayment (IDR) student loan. The number of required payments is based on when the loan was taken out, the type of loan, and the specific IDR plan.

More than 804,000 people will benefit from the Biden administration's latest student debt forgiveness plan. These individuals have already met the minimum number of payments specified by the Higher Education Act, but their payments were counted incorrectly.

Anyone who enrolls in the new SAVE Plan will benefit from the program. There's no maximum income level for applying. However, those who earn less will be helped the most. If you make \$32,800 per year or less, the monthly payment amount on your student loan will be \$0.

What if you make more than \$32,800? The amount that the SAVE Plan will assist you with will depend on your earnings. But the Office of Federal Student Aid estimates that everyone will save at least \$1,000 annually, compared to other IDR plans.

Déjà vu?

There's a possibility that no one will benefit from the Biden administration's backup plan to forgive \$39 billion in student debt. Why? Two groups filed a federal lawsuit to block the plan.

The New Civil Liberties Alliance (on behalf of the Mackinac Center for Public Policy) and the Cato Institute believe that the White House's latest student loan forgiveness plan is illegal. They've asked a federal judge in Michigan to halt the Department of Education from moving forward with the plan.

In the lawsuit, the two groups argued that the Department of Education doesn't have the authority to "count non-payments as payments." The Department of Education released a public statement that referred to the suit as "a desperate attempt from right-wing special interests to keep hundreds of thousands of borrowers in debt."

Biden's backup plan to relieve student debt could eventually go the same route as his original plan -- to the U.S. Supreme Court.