



Student Loans: 800K Borrowers Could See Debts Forgiven After Latest Lawsuit Falls Through — Who Qualifies?

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A lawsuit filed by two conservative groups to block the Biden administration's cancellation of \$39 billion of debt for 804,000 student loan borrowers was dismissed by a federal judge on Aug. 14.

The lawsuit, filed by The Cato Institute and Mackinac Center for Public Policy on Aug. 4, alleged that the cancellation was “unlawful,” according to legal documents.

“The Court should declare this forbearance-credit scheme unlawful, set it aside, and enjoin any cancellation of student loans based on it,” the lawsuit reads.

However, on Aug 14., U.S. District Judge Thomas L. Ludington of the Eastern District of Michigan issued an order dismissing the case, ruling that the defendants lacked standing.

“In order to satisfy the first standing requirement, a plaintiff must show that a concrete injury ‘actually exist[s],’” according to the order. “Although standing can exist even when the alleged injury is difficult to prove or measure, the injury must affect the plaintiff in a personal and individual way.”

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The lawsuit stemmed from the July 14 Department of Education announcement that it would cancel \$39 billion in debt for more than 800,000 borrowers, as GOBankingRates previously reported.

At the time, the Department of Education explained in a statement that the discharges are a result of fixes implemented by the Biden-Harris Administration to ensure all borrowers have an accurate count of the number of monthly payments that qualify toward forgiveness under income-driven repayment (IDR) plans.

Borrowers may be eligible for forgiveness if they have accumulated the equivalent of either 20 or 25 years of qualifying months, the department added.

“For far too long, borrowers fell through the cracks of a broken system that failed to keep accurate track of their progress towards forgiveness,” Secretary of Education Miguel Cardona declared in the statement. “By fixing past administrative failures, we are ensuring everyone gets the forgiveness they deserve, just as we have done for public servants, students who were cheated by their colleges, and borrowers with permanent disabilities, including veterans.”

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The Department of Education indicated that eligible borrowers include those with Direct Loans or Federal Family Education Loans held by the Department (including Parent PLUS loans of either type) who have reached the necessary forgiveness threshold as a result of receiving credit toward IDR forgiveness for any of the following periods:

- Any month in which a borrower was in a repayment status, regardless of whether payments were partial or late, the type of loan, or the repayment plan.
- Any period in which a borrower spent 12 or more consecutive months in forbearance.
- Any month in forbearance for borrowers who spent 36 or more cumulative months in forbearance.
- Any month spent in deferment (except for in-school deferment) prior to 2013.
- Any month spent in economic hardship or military deferments on or after January 1, 2013.
- In addition, months described above that occurred prior to a loan consolidation will also be counted toward forgiveness.

The Department added it will also notify borrowers who reach the applicable forgiveness thresholds — 240 or 300 qualifying monthly payments, depending on their repayment plan and type of loan — every two months until next year. At that time, all borrowers who are not yet eligible for forgiveness will have their payment counts updated, according to the statement.

Student loan interest will resume on Sept. 1, 2023, and payments — which paused during the pandemic — will be due starting in October.