

Money

Student Loan Forgiveness Starts This Week for 800,000 Borrowers. Who's Next?

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August 16, 2023

After being burdened by federal student loans for more than two decades, hundreds of thousands of borrowers will finally see their debt slashed, and in most cases, completely forgiven.

Starting this week, the Department of Education is automatically **forgiving nearly \$39 billion of federal student loan debt** for about 800,000 borrowers. The **student loans** are being discharged due to a one-time account adjustment for borrowers who have been in certain **income-driven repayment plans** (IDRs) for more than 20 years.

Typically, borrowers who are enrolled in IDRs should have their remaining **student loan balances forgiven** after 20 or 25 years of making payments, depending on the specific plan.

“But because of errors and administrative failures of the student loan system that started long before I took office, over 804,000 borrowers never got the credit they earned and never saw the forgiveness they were promised — even after making payments for decades,” President **Joe Biden said** in a statement Monday.

Of the group eligible for automatic loan discharge, Biden said that more than 600,000 borrowers will have all of their federal student loan debt wiped out, meaning some borrowers will start to see a loan balance of zero as early as this week — if they haven't already. **ABC News** recently reported that loan servicers have sent out hundreds of thousands of confirmation emails alerting borrowers that their loans have been forgiven.

Biden announced the forgiveness plan in July. By August, two conservative groups — the Cato Institute and Mackinac Center for Public Policy — challenged it in federal court, arguing that the Biden administration skirted the proper process to discharge the loans. On Monday, a federal court judge in Michigan dismissed the lawsuit, allowing forgiveness to proceed.

Who is getting student loan forgiveness now?

In the latest wave of federal student loan forgiveness, more than 800,000 Americans are eligible to have their loans discharged. Forgiveness for this group will come automatically, meaning those borrowers will not have to apply.

In these IDR plans, borrowers' monthly loan bills were calculated based on their income. After 240 to 300 months of payments, the remaining balance was supposed to be forgiven. However, the Education Department **says that** "historical failures" and inaccuracies led to some borrowers' payments not being counted properly — including getting credit for monthly payments of \$0 for those who qualified.

According to Education Department data, residents of Texas, Florida and California will most benefit from the account adjustments. Those three states account for more than \$9 billion of the total \$39 billion slated for forgiveness. Billions of dollars worth of forgiveness are also slated to be wiped out in smaller states too, like in Arizona, North Carolina and Ohio.

Biden's other student loan forgiveness plans

In addition to this new IDR-adjustment forgiveness plan, the Biden administration has said that it has already forgiven \$116 billion of student debt for some 3.4 million Americans — bringing the total so far to about \$155 billion.

Even though Biden's marquee forgiveness plan — which would have discharged **up to \$20,000 worth of student loan debt** per borrower — was **struck down by the Supreme Court** in June, the president has said he is going to try broad **student loan forgiveness again through another legal route** via the Higher Education Act.

Experts expect this new forgiveness program to also face legal challenges, and it will take some time regardless due to a regulatory process that requires a period for the public to weigh in before determining exactly how much student debt to forgive — and which borrowers will benefit.

"You're probably looking at something like well into next year," and that's assuming the plan survives the legal challenges, says Jason Delisle, a higher education expert at the Urban Institute. "At a minimum, there's a high probability of a delay even once they announce their rule."

For federal student loan borrowers with remaining balances, loan bills are going out starting in October for the first time since March 2020.

Borrowers have a variety of options to **prepare for the resumption of loan payments**. Chief among them: Checking if they're eligible for **Biden's new income-driven repayment program called the SAVE plan**. This new IDR plan will replace the previous IDRs — which Biden's administration often characterized as broken.

Under **the SAVE plan**, a monthly loan payment for an undergraduate loan will be reduced to 5% of the borrower's discretionary income (down from the current 10%). And single borrowers who earn up to 225% of the federal poverty line, or about \$32,800, could qualify for monthly payments of \$0.

Additionally, the SAVE plan reduces the number of years of qualifying payments to receive forgiveness of any remaining balance to as little as 10 years, down from the current maximum of 25.

Delisle says this will particularly benefit borrowers who have already been paying down their loans for about 10 years because “the minute that benefit becomes available — if they're enrolled in the SAVE plan — they'll have their loans forgiven.”