



Twelve Dramatic Changes Offering Relief for Student Loan Borrowers

September 2022

There have been dramatic changes in 2021 and 2022 making it easier for tens of millions of student loan borrowers to cancel or repay their debt. This article highlights twelve of the most significant changes. Additional information is found in [NCLC's *Student Loan Law*](#) and at studentloanborrowerassistance.org.

But the changes do not stop here. Expect additional actions later this year. For example, the Department of Education (the Department) has proposed new rules affecting the Public Service Loan Forgiveness Program, interest capitalization, borrower defense, arbitration and class waivers, disability discharge, closed school discharge, and false certification discharge. See [87 Fed. Reg. 41,878 \(July 13, 2022\)](#). If enacted in final form by November 1, 2022, the new rules will become effective on July 1, 2023, and some may be implemented sooner. Additionally, [President Biden announced](#) the outlines of a proposed new income-driven repayment plan on August 24, 2022, and the full text of the proposed regulations is expected any day now.

Current as of October 21, 2022. For updates to this article go to:

<https://library.nclc.org/twelve-dramatic-changes-offering-relief-student-loan-borrowers>

Preparing Borrowers to Take Advantage of New Rights and Relief Programs

Many of the new rights and relief programs apply only to certain types of loans. To discern which of the new relief opportunities might be available to a borrower and to assist a borrower in hearing about and accessing those opportunities, complete the following steps:

1. Determine what types of loans the borrower has, and which entity holds the loans. There are many different types of federal student loans, and there are also private student loans. If the borrower has federal loans, it is important to determine what type of federal loans the borrower has and what entity holds the loans. Direct Loans are eligible for many of the new rights. Other types of federal student loans sometimes are eligible as well, particularly when they are held by the Department of Education.

To determine what kind of federal student loans a borrower has and who holds them, log into studentaid.gov and click “view details” of “My Aid.” This should show a list of the borrower’s federal student loans. To see who holds the loan, look under “My Loan Servicers”—if the name starts with “DEPT OF ED,” the loan is held by the Department of Education. Alternatively, call the [Federal Student Aid Information Center \(FSAIC\)](#) at 1-800-4FED-AID (1-800-433-3243).

2. Determine whether the borrower will need to consolidate some or all their loans to access these new rights, whether any deadlines to consolidate apply, and whether there are downsides to consolidation for a specific borrower. Where Federal Family Education Loans (FFEL) or Perkins Loans that are not held by the Department of Education, the borrower may become eligible for some of the rights described below by consolidating into a Direct Consolidation Loan before a specific deadline. More on consolidation is found at [NCLC's Student Loan Law § 7.2.4](#).
3. Determine who is servicing the borrower's loan, particularly since, as described at #12 below, several of the major servicers that were handling Department-held loans prior to the pandemic are no longer doing so—thus many borrowers now have new servicers. Log onto studentaid.gov and go to “My Loan Servicers” as described above or contact the FSAIC at the numbers listed above.
4. Update any contact information. As soon as possible, the borrower should verify that their email and street address are correctly listed with the servicer and on studentaid.gov, and if not, update them as needed. If the Department or the borrower's servicer cannot contact a borrower at the correct email or physical address, the borrower may lose important rights or even refunds.

Tax Note: Through the end of 2025, any relief a borrower receives as forgiven debt—whether it is a federal or private student loan—is not taxable for purposes of federal taxes. This includes the recently announced \$10,000 or \$20,000 of cancelled debt for most federal loan borrowers. See [NCLC's Student Loan Law § 10.15](#).

New Right #1: \$10,000 or \$20,000 One-Time Debt Cancellation

On August 24, 2022, the [Biden Administration announced](#) a one-time program to cancel \$10,000 in federal student loan debt for income-eligible borrowers and to cancel \$20,000 for income-eligible borrowers who had previously received a Pell Grant. Only individuals with incomes under \$125,000 or those filing a joint return or as head of household with an income under \$250,000 qualify.

Relief is capped at the amount of the loan balance, so that the amount of cancellation will never exceed the amount due on the loan. Instead, all relief will be provided as a reduction of a borrower's loan balance. If the balance is under \$10,000 or \$20,000 as applicable, the loan will be fully discharged. If the loan amount exceeds that, the loan balance is reduced. The Department has announced it will reamortize loans that are reduced through this plan, which will reduce many borrowers' monthly repayment amounts. Borrowers on standard repayment plans are likely to have their monthly bill decrease significantly if cancellation significantly reduced their outstanding balance.

The Department has estimated that eight million borrowers may be eligible to receive relief automatically because relevant income data is already available with the Department based on recent Free Applications for Federal Student Aid (FAFSA) or income-driven repayment applications. If the Department does not have an individual's recent income data, then the borrower will have to apply for the relief. The Administration has said that they hope to have an

online application available by early October, with a paper application and an application in Spanish to follow. Sign up for updates to learn when the application will be available by going to www.ed.gov/subscriptions and checking the box for “Federal Student Loan Borrower Updates.” Borrowers can apply until the end of 2023, but borrowers are encouraged to apply by November 15, 2022, if they want their loans to be cancelled or reduced before the end of the payment pause on January 1, 2023.

The relief announced currently only applies to those with Federal Direct Loans or other loans eligible for the payment pause (a [chart of eligible and ineligible loan types is available here](#)). The Administration has stated that it is working to expand eligibility to all federal student loan types, but currently commercially-held FFEL loans and school-held Perkins loans are ineligible. **UPDATE:** On September 29, the Administration stated that borrowers with ineligible loan types may no longer consolidate their loans into a Direct Consolidation Loan to make them eligible for cancellation as of that date. Borrowers should also be careful about consolidating ineligible loan types with eligible loan types beginning September 29, as the Administration's [new guidance](#) suggests that from that date on the inclusion of ineligible loan types in a Direct Consolidation application will render the entirety of the resulting Direct Consolidation Loan ineligible for the cancellation plan (though some borrowers may still benefit from such consolidation, such as if, for example, it would result in full loan forgiveness via the PSLF Waiver detailed in #4 below).

NCLC's Student Loan Borrower Assistance blog has more on the debt cancellation program [here](#).

New Right #2: Payment Pause Extended Until January 1, 2023

For the remainder of 2022, the [Department has announced](#) that borrowers will continue to be excused from making payments on all [eligible federal student loans](#), including Direct Loans, Department-held FFEL and Department-held Perkins Loans, and defaulted FFEL loans. In addition, during the payment pause:

- Interest will not accrue;
- Tax refunds (and child tax credits) will not be withheld;
- Wages will not be garnished;
- Social Security payments will not be withheld;
- Collection calls and billing statements will not be sent out;
- Time during the pause, dating back to March of 2021, will count toward Income-Driven Repayment forgiveness for borrowers in IDR, and will count toward Public Service Loan Forgiveness for borrowers who are otherwise eligible.

The Department has stated that this is the last extension of the payment pause and that it will not be extended into 2023.

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