

FACT SHEET:

BIDEN ADMINISTRATION'S STUDENT DEBT RELIEF PLAN

Every American, no matter what we look like or where we come from, we all deserve the opportunity to create a better life for ourselves and our families. And for millions of us, going to college was supposed to mean the ability to decide our futures, not decades of debt.

President Biden and the U.S. Department of Education announced their bold, life-changing student debt cancellation plan for **48 million Americans**. This is a good step forward for America's educators and the students they serve; but our work is not over. The NEA will continue working with the White House and borrowers to make broader debt cancellation a reality and extend the waiver that has made Public Service Loan Forgiveness available to millions of educators and other public service workers.

■ HOW TO HAVE SOME OF OR ALL YOUR LOANS FORGIVEN:

Most borrowers will need to submit a simple application, which the Department of Education is now creating and will be available on studentaid.gov. Some borrowers will receive automatic cancellation if they already participate in certain income-driven plans or if they recently submitted a FAFSA form.

NEA will provide more information about the application process as details become available.

PAYMENT PAUSE EXTENDED THROUGH THE END OF 2022

- The Biden Administration has extended the federal student loan payment pause through **DECEMBER 31, 2022**.
- Payments are expected to resume in **JANUARY 2023**. Although there have been several extensions throughout the pandemic, it is extraordinarily unlikely that the Administration will extend the payment pause again.

WHICH NEA MEMBERS ARE ELIGIBLE?

Most individuals, including current students, are eligible for up to **\$10,000** in federal student debt relief.

If you have federal student loans and an annual income of less than **\$125,000** (\$250,000 for married couples), you are eligible for **\$10,000** in debt cancellation.

PELL GRANT RECIPIENTS ARE ELIGIBLE FOR CANCELLATION OF UP TO \$20,000 IN FEDERAL STUDENT LOAN DEBT.

- You are eligible for **\$20,000** in debt cancellation if you have received a Pell Grant to help finance your undergraduate education and hold federal student loans, provided you earn less than **\$125,000** a year (\$250,000 for married couples).
- Individuals are eligible for this cancellation amount even if they have only received one Pell Grant in any amount. (It doesn't matter how much you received in Pell Grants or how many years you received Pell Grants.)
- Although Pell Grants are only available to help finance an undergraduate program, the **\$20,000** in cancellation will apply to both undergraduate and graduate federal loans.
- Current students, such as NEA Aspiring Educators, are also eligible for loan cancellation. If you are a dependent student, you will be eligible for relief based on parental income, rather than your own income. The cancelled amount will be determined by whether the student is a Pell Grant recipient.

■ NEW AND MUCH-IMPROVED INCOME-DRIVEN REPAYMENT PLAN

The Department of Education is proposing a new rule that would create a new income-driven repayment plan with much-improved terms:

- Requires borrowers to **pay no more than 5%** of their discretionary income monthly on undergraduate loans (opposed to 10% on existing plans).

- Redefines “discretionary income,” guaranteeing that no borrower earning less than 225% of the federal poverty level – **equivalent to \$15 minimum wage** – will have to make a monthly payment.
- Forgives federal student loan balances after 10 years of payments (opposed to 20 years) for borrowers with original loan balances **of \$12,000 or less**.
- Covers the borrower’s unpaid monthly interest, so a borrower’s loan balance will not increase provided they make their monthly payment, **even when that monthly payment is \$0** because their income is low.

■ HOW DOES PUBLIC SERVICE LOAN FORGIVENESS (PSLF) FIT INTO THIS PLAN?

THE LIMITED PSLF WAIVER IS STILL SET TO EXPIRE ON OCTOBER 31, 2022.

While NEA is pushing for an extension, in many cases it will be an educator’s best interest to apply for Public Service Loan Forgiveness as soon as possible, before the Limited Waiver ends. This is especially true if you have more federal student debt than the amounts provided by the Biden Administration’s recent cancellation announcement.

WHAT IS PSLF?

The Public Service Loan Forgiveness program was created in 2007 to forgive the remaining balance of federal student debt for public employees, including teachers, higher education faculty, and education support professionals, who provide 10 years of service and make 120 monthly payments on their student loans.

However, when the first borrowers became eligible for forgiveness, the Trump Administration prioritized profits for big banks over keeping the promise of PSLF. They denied over 90 percent of applications and kept public service workers paying interest on debts that should have been canceled.

In October 2021, Biden Administration announced a temporary overhaul that fixes some of the technicalities, allowing hundreds of thousands of educators to become eligible for loan forgiveness immediately or sooner than before.

WHAT EDUCATORS NEED TO DO BEFORE OCTOBER 31, 2022, TO TAKE ADVANTAGE OF THE LIMITED PSLF WAIVER

Go to studentaid.gov/pslf, login with your Federal Student Aid ID (or create one if you do not have one) and make sure contact information is up to date. The Department of Education uses this as their primary method of contact to reach you about the progress of your PSLF application.

- If you have a Direct Loan, have made 120 payments, and have applied for PSLF since October 6, 2021, you should receive automatic forgiveness or updates about your payment count soon.
- If you have a Direct Loan and have NOT applied for PSLF since October 6, 2021, you need to apply for PSLF immediately, even if you haven’t reached 120 payments yet.
- If you have a FFEL or Perkins loan, you must first consolidate into a Direct Loan, then apply for PSLF before the waiver period ends on October 31, 2022. You should apply before October 31, 2022, even if your consolidation application is still pending to ensure you receive the full benefits entitled by the Limited Waiver.

HOW TO APPLY FOR PSLF BEFORE OCTOBER 31, 2022

To begin your PSLF application, visit studentaid.gov/pslf to use the Department of Education’s PSLF Help Tool.

- If you need to consolidate your loans prior to applying for PSLF, go to studentaid.gov and complete the “Direct Consolidation Loan Application.”

1. Select for consolidation all of your loans that say “Perkins” or “FFEL”
2. Select MOHELA as your servicer
3. Select any income driven repayment plan (REPAYE, PAYE, IBR, or ICR)

For personalized assistance, NEA members can receive free help with filing your PSLF Application by our Student Debt Navigator, powered by Savi - neamb.com/Savi

NOTE: YOU SHOULD SUBMIT THE PSLF APPLICATION EVEN IF YOU HAVE NOT YET MADE 120 QUALIFYING PAYMENTS OR REACHED 10 YEARS OF SERVICE.